

Current History

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LATIN AMERICA, 1981

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Current History

FEBRUARY, 1981

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How stable are the governments of Latin America? How strong are their economies? In this issue, eight articles answer questions like these. Writing about the discovery of more oil in Mexico and the effects of oil on Mexican society, our introductory article points out that "Oil and gas have given Mexico new status, significantly affecting its relations with the United States. But domestically, higher oil exports have not yet been noticeably beneficial to the Mexican economy, particularly with regard to correcting the imbalance between wealth and poverty, controlling inflation and improving Mexico's balance of payments position."

Mexico's Oil Boom

BY SALVATORE BIZZARRO

Associate Professor of Spanish and Latin American Studies, Colorado College

AS if still blessed by the serpent deity of the ancient Mayas, southern Mexico is sitting astride a veritable sea of oil. The latest disclosure by Petróleos Mexicanos (Pemex), the state oil monopoly, indicates stocks of 60 billion to 100 billion barrels, placing Mexico's oil reserves in the top four worldwide. According to Mexican President José López Portillo (1976-1982), oil wealth may provide solutions to such chronic problems as inflation, overpopulation, poverty and unemployment. The combination of these social ills has resulted in much suffering among the nation's almost 70 million inhabitants and in an illegal mass migration of poor, undocumented workers across the border into the United States.

Pemex is the focus of hopes for an oil-based transformation of Mexico's economic problems. At the same time, it has become a focal point of controversy and criticism. The extremes of wealth and poverty pose a difficult question for the future of the country: does oil hold out new promise for Mexico, as López Portillo envisions, or will the current boom spawn greater strains and antagonisms between the ruling class and the underprivileged?

1980 has proved to be a turning point in Pemex's 42-year history. Disclosure of new Mexican finds,

coupled with the finds of two and three years ago, have put off until the 1990's the world's expected oil shortage crisis, in spite of shortages derived from the Iraq-Iran conflict. Oil production has expanded so rapidly in Mexico that approximately half the natural gas released by new drillings, valued in the millions of dollars, is simply burned off. In southernmost Mexico, unprecedented finds continue to be made. And to keep pace with expanding production, new refineries and petrochemical plants are going up rapidly.

During the first quarter of 1980, production of crude oil and natural gas exceeded the goal set at 2 million barrels per day (mbd) for the first time. Vast petroleum fields in the Bay of Campeche have the highest daily yield in the world; and drilling for hydrocarbons has become a 24-hour activity in Tabasco.¹ At night, boomtowns in the states of Veracruz, Tabasco, Chiapas and Campeche are lit up like hundreds of stars by the flaring of wasted gas. In the past year, Mexico's proven oil reserves have increased exponentially, and so have exports. While exports were reaching slightly over 1.1 mbd, export income rose to almost US \$14 billion for 1980, up from US \$4 billion in 1979.²

With this oil bonanza, Pemex has stepped up its exploration and investment program, planning to spend US \$18 billion by 1982 to increase refining and petrochemical capacity (Mexico is already self-sufficient in refining capacity and expects to increase petrochemical plants from 69 to 145 by 1982 and to become self-sufficient in petrochemicals in the first half of this decade). Large sums are also to be spent

¹"Mexico Mismanages Oil Boom," *In These Times*, October 29-November 4, 1980, p. 7.

²"Mexico: Oil-fired Wealth and Controversy," *Latin America Weekly Report* (London: Latin American Newsletter Ltd.), WR-80-24 (June, 1980), p. 9. (All other references to this publication will be by WR, number, and date.)

on the expansion of ports, roads, rail tracks, and pipelines.³

Pemex has been for most Mexicans the symbol of modern nationalism. Mexico had been producing great quantities of oil since 1910. However, there were increasingly severe labor disputes between the petroleum workers' unions and the powerful, foreign-owned, oil companies. To put an end to such disputes, reform-minded President Lázaro Cárdenas (1934-1940) nationalized the oil industry in 1938. The expropriated companies retaliated by leaving Pemex without equipment and without technicians. In the post-nationalization period, Pemex had to weather a United States-mastered embargo on oil purchase and technology.⁴ As a result, oil production stagnated before entering the prosperous age of the 1970's and the 1980's.

Today, Pemex is the largest single employer in Mexico, with a work force of 100,000. There have been graft, inefficiency and gross overstaffing; and yet, 92 percent of the country's total power supply comes from petroleum and gas. Since 1962, when the company paid off its expropriation debt, its overall budget has grown, totaling a record 400 billion pesos (about US \$17.7 billion) for 1980, an 84 percent increase over 1979.⁵

Financially, Pemex is a net contributor to the government; it generated 71 percent of the government's 1979 income. Although the company receives subsidies to keep internal fuel prices low, its tax payments more than compensate for this.⁶ But many Mexicans are worried that the oil-generated economic boom is accelerating the traditional concentration of income into the hands of a few, excluding much of the population from immediate gains and possibly opening a path to political and social unrest.⁷

When López Portillo came to power in September, 1976, the country was experiencing serious internal and international pressures. His predecessor, Luis Echeverría Álvarez (1970-1976), had left the economy with a huge deficit caused by heavy spending in lavish social programs and land reform efforts, which

³*Ibid.*, p. 9.

⁴Irene Nicholson, *The X in Mexico: Growth Within Tradition* (London: Faber and Faber, 1965), pp. 153-158.

⁵WR-80-24, p. 9.

⁶Pemex is studying an increase in domestic gasoline prices, from 2.8 pesos a liter to 4 pesos a liter (22.99 pesos = US \$1). Subsidies on consumption have encouraged a rapid increase on demand, which went up 15 percent in 1980. For more on this see "Conflicting Pressures on Oil Price Policy," WR-80-38, September 26, 1980, pp. 2-3.

⁷"Mexico, Flush with Oil, Remembers Its Rural Poor," *The New York Times*, September 21, 1980, p. 3.

⁸*Ibid.*, p. 3.

⁹WR-80-24, p. 10.

¹⁰"U.S.-Mexican Imports/Exports," ILAS Newsletter (Austin: The University of Texas Press), vol. 14, no. 2 (October, 1980), p. 7.

aroused the ire of businessmen at home and the Richard Nixon and Gerald Ford administrations in the United States. Mexican industrialists and international lending institutions were furious.

López Portillo's first actions were devised to appease those groups. He devalued the peso by approximately one-half and took measures to placate the World Bank and the International Monetary Fund (IMF) on the subject of Mexico's US \$16 billion foreign debt. Inflation and the flight of domestic capital had created a critical situation at the beginning of his term. New petroleum discoveries made in the late years of the Echeverría administration had been kept secret for fear that the President would use them irresponsibly.

Not until 1980 did oil earnings begin to flow toward government programs designed to eradicate urban and rural poverty among the 15 million peasants and Indians living well below the poverty line. The umbrella organization for most of these programs is Coplamar, charged with designing an integrated approach to dealing with the "marginados," the Mexican term for people living outside, or at the edges of, the money economy.

With an initial budget of US \$500 million, and projected government grants of US \$4 billion over the next three years, Coplamar's strategy is to break social and geographic isolation of the "marginados." Other programs are targeted to reduce the number of migrant workers that go to the United States in search of better wages, and to give the poor access to health clinics, regular food supplies, better roads, drinking water and education.⁸

Despite Pemex's record of rapid growth and its contribution to the government and to needed social programs, critics argue that the unchecked expansion of the oil industry will fuel inflation and squander the nation's main natural resource. It has also been noted that the impact of oil revenues on a favorable balance of payments is partly eroded by large purchases of foreign equipment and technology. According to Jorge Díaz Serrano, the director general of the oil company, just over US \$1 billion was spent by Pemex in 1979,⁹ with projected expenditures even higher for 1980.

Perhaps the greatest problems nagging the Mexican economy since the recent oil discoveries are problems of agriculture and the social and ecological impact of Pemex exploration and development in the backward areas of the southeast. Long an exporter of grain, Mexico has become a massive importer, while real growth in agriculture has declined in the past year.¹⁰

The social and ecological upheavals appear most acute in the oil-bearing regions of the southeast. Gases from wells have ruined local crops and careless drilling has all but destroyed streams essential to farming

communities. As a result, thousands of peasants and Indians have migrated to the cities from the gulf states, leaving behind sprawling slums without running water, electricity or jobs.

What all these critics of the oil industry have in common is a deep concern for a gradual expansion in oil production and for the development of the total infrastructure of the country. They fear that if other sectors of the economy, like agriculture, fall far behind, the pressures to increase oil output and exports will follow.

While conditions for Pemex workers tend to be good, corruption is endemic in the union that controls Pemex jobs, the Mexican Oil Workers' Union, one of the most powerful and wealthy Mexican labor organizations. In control of all blue-collar jobs in Pemex, the union allegedly charges workers 80,000 pesos (US \$3,500) for a full-time position, and has been accused of grafting millions of dollars from the state oil monopoly and its employees.¹¹ The organization of Pemex, its union, and the issue of how much oil Mexico should produce in the next decade is one of President López Portillo's key concerns.

After four years at the helm, López Portillo guides a land that is rich in contrast and color but impoverished in terms of national fulfillment. A small percentage of the population is outrageously rich; a large portion is lamentably poor. Mexico has long suffered from lack of education, poor communications, inefficient bureaucracy, and outright political corruption (reflected in the ruling party's willingness to buy off both sides in any conflict).¹²

After the devaluation of the peso in 1976, the Mexican economy showed signs of recovery: business confidence was growing; credit was becoming more available; the budget was moving toward a balanced position; industrial expansion was under way; and the value of the peso had become stable. There was also renewed optimism and confidence in the gas and oil findings. In 1981, however, Mexico continues to have serious problems, like inflation and unemployment.

In his September 1, 1980, speech to Congress to commemorate his fourth year in office, López Portillo emphasized the importance of bringing inflation under control. Since he lifted credit restrictions early in his term, the public debt had risen from US \$16 billion to US \$32 billion, much of it the result of

massive foreign grain purchases and steel and oil technology imports. But, the President had little encouragement to offer. A restriction on bank lending would not be tolerated by industry; higher income taxes to reduce consumer demands would provoke labor unrest and push up demands for higher wages; a reduction in spending would imperil the government's goal of achieving an economic growth rate of 8 percent for 1981. Alternative approaches, like wage and price controls, did not appeal to a President determined to avoid conflict with the private sector of the economy.

Faced with economic uncertainties, in 1980 Mexico experienced an explosive inflation rate of 30 percent, according to the private Banco Nacional de México (Banamex). What was even more discouraging was the report that one-half of the total Mexican labor force of 20 million was either unemployed or underemployed. This situation led to a massive migration of Mexicans into the United States, and created friction between the two countries.

U.S.-MEXICAN RELATIONS

Relations between Mexico and the United States have always been mercurial. Slogans like "Pobre México, tan lejos de Dios, tan cerca de los Estados Unidos" ("Poor Mexico, so far from God, so close to the United States") or cartoons portraying the United States as the "Colossus of the North" are political symbols of a past that continues to influence Mexican policy. Deeply ingrained in the Mexican psyche are the loss of one-half of Mexico's territory to the United States; United States military incursions, including the occupation of Mexico City; and significant manifestations of what Mexicans consider United States economic imperialism.

In recent years, economic rather than political issues have been at the forefront of Mexican-United States relations, with trade, tourism and migrant Mexican labor as the most visible features of bilateral exchanges. But while these economic activities have benefited both countries, they have also raised serious problems.

Entering a new era in international economic affairs, both nations have been making difficult but critical adjustments. Some basic facts, however, remain the same. In need of oil, the United States is a highly industrialized superpower with technology to export. In need of technology, Mexico is an oil-rich nation in a state of rapid development, with serious problems of population growth and poverty.

The probability that the United States will import significant amounts of Mexican oil and natural gas will have a profound and lasting impact on the economies of both countries. Mexico's energy potential has important implications for increased leverage in dealing with the United States in matters of trade

¹¹"Mexico Mismanages Oil Boom," *op. cit.*, p. 7.

¹²The Partido Revolucionario Institucional (PRI), Mexico's ruling party, has controlled Mexican politics since 1929, when it was founded. Dating from the revolution of 1910, Mexico has produced a curious form of democracy in which each President chooses his successor from the ranks of the ruling party for a single six-year term ("sexenio"); a choice ritualistically ratified by election. For more on "patronage" in the Mexican political system and on the PRI see Salvatore Bizzarro, "Mexico Under Echeverría," *Current History*, vol. 66, no. 393 (May, 1974), pp. 213-214.

and problems of undocumented immigration.

Trade has been a critical flashpoint in Mexican-United States relations. The amount of goods flowing north-south has increased at a steady pace. Mexico is currently the fourth largest trading partner of the United States and is expected to move into a stronger position in the next five years. The United States is Mexico's largest trading partner (approximately two-thirds of Mexico's imports and exports are exchanged with her northern neighbor). The total current trade between the two countries is estimated at US \$20 billion, an increase of 46 percent over 1979. With expected increases of Mexican sales of hydrocarbons to the United States and Mexican purchases of United States farm products, this figure may double in real terms by 1985.

In 1980, approximately 850,000 barrels of oil a day were exported to the United States, with a limit of 1.1 mbd set by Mexico for 1982. After much dispute, final agreement was reached in 1979 on the sale of Mexican natural gas to the United States.

Two years of drought and an annual population growth rate of 3.4 percent (one of the highest in the world), have led to extensive Mexican purchases of United States grains; in 1979 alone, Mexico bought 8 million tons of corn and soy beans. Since population growth rates are not likely to recede, the two countries are in the process of working out a long-term arrangement for the sale of grain.

While the exchange of goods has been increasing (Mexico's proximity permits fast delivery, lower transportation costs and easily accessible servicing and technical assistance for both countries), the pattern of Mexican-United States trade is changing. The United States has had a traditionally large positive trade balance with Mexico. Because of increasing imports of oil and natural gas, however, 1981 may be the year in which the United States trade balance with Mexico becomes negative. This does not mean that United States exports will decline, because Mexico continues to import considerable quantities of production and capital goods plus increasing amounts of foodstuffs.

Despite its magnitude, trade between Mexico and the United States has no firm international treaty structure to regulate or guide it, because Mexico has refused to join the United States and other countries in the multilateral accord known as the General Agreement on Tariffs and Trade (GATT) and the United States has decided not to implement the bilateral trade agreement signed with Mexico in December, 1979.

Mexicans maintain that they have little to gain by

joining GATT, since one of its main provisions is the lowering of all barriers to international commerce. According to Mexican economists, this drive for "free trade," which is supported by the United States, tends to favor the more developed countries at the expense of local Mexican industry. The United States, has interpreted Mexico's decision not to join GATT as protectionist.

In spite of these differences, both nations have acknowledged that the lack of either a multilateral or a bilateral framework for Mexican-United States trade relations is undesirable. A new bilateral agreement with the administration of President Ronald Reagan to provide a structure that will govern the increasing level of trade is seen as preferable to the present "ad hoc" relationship. The Mexicans have adopted a wait-and-see attitude toward the Reagan administration and its economic policies vis-à-vis Mexico and the rest of Latin America. Furthermore, under López Portillo, Mexico will no longer tolerate the United States hold on the Mexican economy. Mexico is seeking markets, loans, investments and technology in countries that can negotiate packages of technical cooperation, like Japan, West Germany, France and Spain.¹³

Similar cooperation has proved difficult with the United States, because negotiation must be conducted with private companies rather than on a governmental level. A Mexican-United States government-to-government agreement regarding oil and the transfer of technology can probably be developed. Issues of trade, energy and migration will no doubt dominate future bilateral relations.

OTHER INDUSTRIES

Tourism is Mexico's second largest industry. Mexico depends on tourism and border transactions for 37 percent of its dollar income and on the United States to provide 90 percent of it. Since the early 1970's, tourism has earned for Mexico about US \$2 billion annually. Established resorts like Acapulco and Mazatlán and new playgrounds at Cancún on the Caribbean and Ixtapa on the Pacific are attracting more and more American visitors. It is estimated that between 350,000 and 450,000 Mexicans are employed

(Continued on page 86)

Salvatore Bizzarro has just returned from Mexico and Cuba and has made many trips to South America in the past 15 years. He is the author of the *Historical Dictionary of Chile* (Metuchen, N.J.: Scarecrow Press, 1972) and of *Pablo Neruda/All Poets the Poet* (Metuchen, N.J.: Scarecrow Press, 1979); has been a contributor to the *Hispanic American Report* (Stanford University); has been on the editorial board of the *Latin American Yearly Review* (Paris, France); and has written many articles for scholarly journals.

¹³Mexico has agreed to more than double its oil exports to Spain. Before the recent Middle East war Spain obtained 31 percent of its oil from Iran and Iraq. In exchange, Spain is helping with construction work at the Veracruz shipyards.

"Cuba has achieved impressive gains in social justice and national independence," notes this author, who concludes that "The revolution could afford to become more tolerant but most likely it will choose to reaffirm its intransigency."

Revolutionary Cuba

BY SERGIO ROCA

Associate Professor of Economics, Adelphi University

IN December, 1979, Cuba's President Fidel Castro delivered a confidential speech before the National Assembly of *Poder Popular*, Cuba's legislative body. Castro declared:

It is necessary to ask ourselves why certain problems, certain ideological weaknesses, greater lack of discipline, certain symptoms of corruption . . . have recently begun to appear. . . . Is it because we have felt too good, too much at ease?¹ [Later he continued:] . . . we are sailing in a sea of difficulties. We have been in this sea for some time and we will continue in this sea

Why such bad weather? What measures are being taken to survive the storm?

Cuba's economic growth record in the 1970's (growth rates of global social product at current prices) shows that the island's total economic performance slowed considerably in the second half of the decade even without taking account of inflation:²

1970-1974 (annual average)	12 percent
1975	9 percent
1976	4 percent
1977	4 percent
1978	9 percent
1979	4.5 to 4.0 percent
1980 (revised goal)	3.0 percent

In addition, there are many specific examples of sectoral economic difficulties. In 1975, Cuba's total fish catch declined by 21,000 tons, or about 12 percent, reversing an uninterrupted growth trend that started in 1962. In 1979, after substantial increases in the intervening years, the fish catch plummeted to the level of 1975.³ At the "Lenin" agricultural machinery repair shop, the best in the country in 1978, there was

¹Personal copy of Fidel Castro's speech at National Assembly of *Poder Popular*, December 27, 1979. Unless otherwise noted, all subsequent quotations originate from this source.

²*Economía y Desarrollo*, vol. 31 (September-October, 1975); *La Economía Cubana 1977 and 1978*; and *Granma*, December 28, 1979.

³*Granma*, December 28, 1979. Much of the following information on Cuba's economy comes from *Granma*.

⁴For example, see Fidel Castro's speech at the National Assembly of *Poder Popular* in *Granma*, July 6, 1979; Raul Castro's scathing interventions in *Granma*, October 29 and December 1, 1979; and Leonel Soto's careful analysis in *Granma*, December 13, 1979.

a "considerable shortage of technicians," especially lathe operators, which caused those machines to be idle half the time. On the other hand, in recent years, Castro has acknowledged the presence of open unemployment running into the tens of thousands of idle workers, especially young people.

In late 1978, city officials estimated that Havana workers spent an average of four to five hours daily commuting to and from work and admitted that the urban bus system lacked its own repair shops. The Ministry of Construction completed only 70 of the 147 industrial construction projects scheduled for 1979. In mid-1980, some 70,000 tons of steel rods (about 20 percent of annual output) were stored outside without cover and in danger of oxidizing. Leaky roofs in newly built industrial plants, service centers and schools were common throughout the country. The current five-year plan stipulated an annual rate of 30,000 new housing units. In 1978, only 16,778 housing units were completed; in the same period, an estimated 25,000 units were destroyed because of poor maintenance and repair. The revised 1980 plan called for the building of only 15,000 new units.

In December, 1979, a high Communist party official candidly referred to the problems affecting labor organization and salary administration, including absenteeism, deterioration of worker productivity, short workdays, and an increase in labor costs per *peso* of output. In October, 1980, the president of the State Finance Committee disclosed that audits conducted in a large number of government-owned commercial establishments showed "multiple irregularities" that indicated "the existence of great opportunities for illegally appropriating money, food, and consumer goods." Finally, in the last half of 1979, irrefutable evidence of Cuba's current economic and social malaise became available in the public confessions of the revolutionary leadership.⁴

As Castro indicated in his 1979 National Assembly speech, the revolution has been navigating in troubled waters for some time. Indeed, many (if not most) of the economic problems and shortcomings outlined above have intermittently plagued revolutionary policymakers since 1959. The fundamental root causes of the present crisis can also be traced back in time,

although they will be examined here only briefly within the context of current events.⁵

First, Cuba's predicament is partly attributable to its situation as a large export-sector economy heavily specialized in one commodity. In the revolutionary period, exports have averaged 20 percent of gross material product, and sugar exports have represented over 80 percent of total exports. After reaching record-high levels of over 60 cents a pound in late 1974, the world market price of sugar fell drastically to about 15 cents in mid-1975 and even lower afterward. Only in the fall of 1979 was the 15-cent level regained at the start of the current upswing, which placed world market prices of sugar at over 40 cents in October, 1980. Large Cuban sugar crops in the late 1970's, culminating in 7.9 million tons in 1979, contributed to the world price decline. However, the island failed to benefit fully either from large outputs or from high prices.

In September, 1980, Castro disclosed that cane rust disease had reduced sugar output by one million tons; agricultural and industrial yields were down at least 30 percent.⁶ The estimated loss in foreign exchange earnings was over \$800 million (based on a price of 40 cents a pound). In addition, tobacco fields suffered from blue mold disease, which destroyed 85 percent of the tobacco leaf output, causing estimated losses of \$100 million in soft and hard currency income. Thus, in 1980 alone, Cuba lost almost \$1 billion in foreign exchange earnings.

As a result, Castro admitted to the National Assembly that in 1979 only one-half the necessary convertible currency was available and declared that the 1980 economic plan was "to be executed solely with our country's resources and without any external loans." However, it is most likely that substantial Soviet economic assistance will continue to flow to the island. The U.S.S.R. aids Cuba by financing bilateral trade deficits, subsidizing sugar and nickel export prices and oil import prices, providing military equipment grants, extending credits for economic development, and supplying convertible currency to finance trade with capitalist countries. If the past trend of Soviet aid to Cuba is projected, in 1980 the island's debt to the U.S.S.R. would be about \$8 billion.

The second set of factors that contribute to Cuba's severe difficulties involve internal systemic shortcomings. According to Castro's own assessment, the waves and winds lashing the revolution are whipped by negligence, privileges, irresponsibility, corruption,

indiscipline and inefficiency. The elimination of capitalist legality has evidently not yet been replaced by the full establishment of socialist legitimacy in important areas of social life. In his National Assembly speech, Castro referred to the need "to strengthen the authority of the administrator" and declared that many workers who are caught stealing go unpunished. There are troublesome remnants of past utopian attempts to "jump stages" and build socialism and communism simultaneously. In June, 1979, the chief of the central planning board spoke at length about the lasting impact on Cuban policymaking of Ernesto "Che" Guevara's moralistic economics.⁷ Unpaid voluntary labor is still widely used to accomplish critical tasks.

The passage of 20 years in power has also created some inflexibility and accommodation to status among entrenched party and government bureaucracies. Despite attempts at reform, excessive centralization of economic planning and management is still vested in national ministries and agencies. In December, 1979, Castro insisted that "anything that smells of corruption must be swept out" and stipulated that officials traveling abroad must abstain from bringing gifts to their family and friends. After long years of revolutionary rhetoric and spartan consumption, many ordinary citizens may have become somewhat indifferent.

In July, 1979, Castro harangued against softness, favoritism, and mutual back-scratching among workers and administrators.⁸ Later, in December, he vowed to fight against the spread of "discord, mistrust, and deviations among the youth, the students, and the intellectual sectors." During my visit to Havana in the summer of 1980, it was apparent that Cuban youth were enjoying Lee jeans and popular American music.

Finally, full-fledged socialist economic planning, which was not attempted until the mid-1970's, may have been implemented in counterproductive ways. In June, 1979, Humberto Perez, the planning chief, characterized the actual situation as full of "uncertainty, instability, and zigzagging."⁹ Later that year, a high party official called for "the eradication of disorder and improvisation and for the implementation of a real economic plan."

ECONOMIC POLICIES

At this juncture, the revolutionary leadership is stressing basic economic policies. The production and export of sugar remain the fundamental economic activity. The application of economic criteria (growth, efficiency, cost accounting, productivity) continues to be paramount. The game plan is not the problem, but the execution of the plan is difficult. It is not necessary to change objectives and directions, but solid results on a consistent basis are required.

⁵For an excellent historical perspective, see Carmelo Mesa-Lago, *Cuba in the 1970's* (Albuquerque: University of New Mexico Press, 1978).

⁶*Bohemia*, September 12, 1980.

⁷*Granma*, June 16, 1979.

⁸*Granma*, July 6, 1979.

⁹*Granma*, June 16, 1979.

In November, 1980, Castro admitted that the sugar industry is today the axis of our economy . . . because everything else can function well only if we have foreign exchange . . . and the sugar industry is the great producer of both socialist and convertible foreign exchange.¹⁰

In the next five-year plan, sugar output is scheduled to increase gradually to reach 10 million or 10.5 million tons in 1985, an increment of about 40 percent over immediate past years. Several measures are being taken to secure fulfillment of this perhaps too ambitious goal. Four new sugar mills, the first in five decades, have been built since 1976 and 15 additional mills appear to be in the planning stages. The policy of mechanization is being pursued; today 45 percent of cane is cut by combines and the remainder (under manual cutting) is hoisted almost totally by lifters and transported by trucks and tractors.

Stringent controls are being implemented to increase industrial efficiency by reducing energy consumption, shortening the milling season, and improving sugar extraction yields. The government's deep concern about worker availability and productivity has led to the strengthening of material incentives. In September, 1980, all sugar workers, both agricultural and industrial, received a 15 percent wage increase planned as a sectoral differential and not replicated in other sectors. In addition, sugar workers are scheduled to receive increased allocations of consumer goods, housing and social services, improved safety equipment, and occasional weekends off.

The continued primacy of economic criteria in government decision-making follows the path established in the late 1970's when the Economic Planning and Management System (*Sistema de Dirección y Planificación de la Economía*—SDPE) was introduced. The SDPE is based on the current Soviet economic model, featuring in part greater decentralization and managerial discretion, the use of economic control instruments (prices, profits, taxes, interest rates), reliance on material incentives, and a larger role for market forces. Apparently determined to overcome the serious shortcomings of the system and confident of its ultimate usefulness, recent government actions have intensified the application of the SDPE.

For example, private transactions among individual producers and consumers are now allowed with minimal government supervision. A new monthly publication (*Opina*) carries classified advertisements offering consumer goods and specialized services for sale or barter. Supplies of agricultural products in excess of state procurement quotas can be sold without price controls at farmers' markets. State enterprises and individual workers can engage in independent labor

contracting without referring to the Ministry of Labor. In November, 1980, administrators were empowered to dismiss workers for cause (including absenteeism, laziness, and drunkenness), subject to appeal to labor councils.

The general salary reform of July, 1980, benefited about one million workers by (among other things) raising the industrial minimum wage about 10 percent, to 93 pesos monthly.¹¹ Later, the prices of many consumer items were drastically reduced, sometimes by 50 percent or more. The impact of these wage-price actions on worker motivation is likely to be strong, because nowadays income levels tend to determine consumption levels. In 1971, over 90 percent of household income was spent on rationed goods and there were only 230 consumer goods on the market; but by 1980, only 30 percent of income went for rationed items, and over 800 goods were available to consumers. Finally, as part of the SDPE plan to link economic performance with local autonomy and reward, starting in January, 1981, state enterprises in the light-industry sector will finance certain investments with part of their own profits. But despite the 1980 reforms, it is probably wise to refrain from being too sanguine about Cuba's prospects for success in implementing its economic reforms.

DOMESTIC POLITICS

Economic difficulties usually translate into political distress, and the case of Cuba in the last two years is no exception. In his National Assembly speech, Castro warned that

we are not going to have a "cultural revolution" but we have to propose that all these factors and elements . . . which irritate the people be radically suppressed.

A few days later, at Castro's initiative, a major reorganization was effected in the Council of Ministers, but it represented little or no change in the basic power structure. Five members of the party's Political Bureau took over control of the Ministries of Agriculture, Interior, Justice, Public Health and Transportation. Two ministers were simply transferred from one state agency to another. The exercise was largely a game of musical chairs. The upshot was that President Castro strengthened his already awesome formal influence over government policies. In addition, the Communist party increased its role in the operational management of state business, violating the 1975 principle of supervision by the party and administration by the government.

In view of such developments, it should come as no surprise that the National Assembly of *Poder Popular* has become largely a rubber-stamp legislative body. Although its study commissions remain active during recess periods, the Assembly convenes only four days a year to approve laws and proposals submitted by the Council of Ministers. In recent sessions, Assembly delegates have discussed at great length such trivial

¹⁰*Granma*, November 1, 1980.

¹¹*Granma*, October 21, 1980.

matters as restrictions on handicraft production, changes of town names, and criteria for awarding national medals.

In December, 1979, Castro explicitly asked the National Assembly to transfer to the Council of Ministers its authority to consider and write tougher crime laws. He confidently declared that the new code "will be ratified later by the National Assembly." During the session, Castro also commented that "perhaps it will not be possible to wait for all the work of the committee" before adopting measures to strengthen the labor discipline regulations. Indeed in previous days, a few thousand "anti-social and pre-delictive" individuals had been rounded up by the police for indefinite detention.

The social tension caused by economic problems and political toughness broke into the open in the spring of 1980 at the Peruvian embassy in Havana. For some months, Cubans disaffected with the regime had been forcibly entering Latin American embassies demanding the traditional right of political asylum. Cuban officials argued that these people were not entitled to diplomatic protection, because they were not political dissidents but common criminals or economic hardship cases. However, the Peruvian and Venezuelan diplomatic compounds continued to accept disgruntled Cubans.

In early April, Castro became exasperated with the trend and was enraged by the death of a Cuban guard on embassy protection duty. He removed the Peruvian embassy's protective barriers and invited all those wishing to leave the country to avail themselves of the novel opportunity. Within a few days, almost 11,000 Cubans were jammed into the Peruvian diplomatic complex. Many more potential emigrants could not gain entry and were arrested by Cuban authorities.

The embassy rush was probably the largest anti-government demonstration in 20 years, but Castro handled the aftermath to his benefit. The party and state cadres organized two gigantic public demonstrations of support for the revolution and stimulated patriotic fervor to a pitch unseen since the October, 1962, missile crisis. Harassment and the physical beatings of people waiting to emigrate were widely reported and later acknowledged with regret by Cuban officials. When the orderly airlift of the embassy crowd through Costa Rica and Peru became (in Cuban eyes) blatant anti-revolutionary propaganda, Castro stopped the charter flights and opened the Mariel sea route. In a bold move, he allowed Cuban-Americans to travel by boat to the port of Mariel, about 25 miles west of Havana, to pick up relatives and friends and to take them to the United States.

But it was Castro's admitted policy to export some unemployment and to deport some anti-social elements. As a result, Cuban immigration officials imposed quotas of undesirables on departing boats, thus

limiting the number of relatives to be retrieved. To decide who was to stay and who was to go involved excruciating choices for many Cuban-Americans. From late April to late September, about 125,000 Cubans left the island and almost all of them settled in the United States. Government officials told me in Havana that another 375,000 persons wished to emigrate, but unofficial estimates ranged upwards to two million people. Even using the official count, the total of 500,000 persons represents about 5 percent of Cuba's population. Granted that the pull exercised by the United States is substantial, there is still a question as to why the push from Cuba shows no sign of abatement.

At the second congress of the Cuban Communist party, in December, 1980, the delegates (representing 400,000 party members and candidates) will discuss and approve the definitive party program outlining the objectives and strategies for the establishment of communism in Cuba.

FOREIGN POLICY

The external posture of Cuba in recent years may be summarized in two words: internationalist and pro-Soviet. Internationalist commitments have long been important to the Cuban revolution. In several regions of the globe and in a multitude of forms, the revolutionary leadership has sought to interject Cuban influence in contemporary world affairs. Continuing the assistance rendered since the mid-1970's, some 35,000 Cuban military advisers and troops were stationed in Angola and Ethiopia in 1979. In addition, more than 12,000 Cuban civilians (mostly physicians, construction workers and teachers) were assigned to foreign duties in 1978. Recently, the Cuban military and civilian presence has become very pronounced in Central America (Nicaragua and El Salvador) and in the Caribbean (Jamaica and Grenada). In contrast to the provision of military assistance (mostly handled on a grand basis), Cuba's civilian aid programs are commonly characterized by service charges levied for the use of technical personnel and professional advice.

Another current manifestation of Cuban internationalism is related to the assumption by Castro of the leadership of the Movement of Non-Aligned Nations.

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"Is abertura a major turning point for Brazil's new foreign and domestic policies?"

Abertura in Brazil: A Road to Chaos?

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THE major danger for Brazil in the coming year is the steady rise of violent right-wing resistance to political and social liberalization. *Abertura*, literally meaning "opening," was conceived in the final years of the Ernesto Geisel administration as an official response to the growing opposition to the military-dominated regime in the second half of the 1970's. *Abertura* was designed to allow the nation's 120 million people greater social, economic and cultural freedom and, at the same time, to marshal the gains made by status-quo groups.

The year 1980 was a turbulent time of *abertura* experiments. With the return of a multi-party system, six parties have representatives in the federal congress, and more minor parties are being organized. Some significant concessions secured by trade unions in the last two years are currently threatened. The unprecedented degree of cultural and academic freedom allowed by the regime makes the opposition highly visible and articulate. Successful university strikes in early September, 1980, set the tone for the reinstatement of the tumultuous National Student Union (UNE). A drastic shift in economic policies in late 1979 and early 1980 made inflation and unemployment worse. Most serious is the surge of right-wing terrorist activity in major urban areas, which impedes the progress of liberalization.

The direction Brazil ultimately takes may well hinge on its economic situation, however. The mounting foreign debt is heading toward US \$60 billion or more by the end of 1981, and the annual inflation rate is now over 100 percent. President João Batista Figueiredo's *abertura* may easily be affected by continuing high inflation, by a graphic change like the drying up of foreign capital markets to Brazil, or a precipitous drop in the growth rate below 5 percent. Such occurrences could lead to the breakdown of social and political stability that could in turn resurrect right-wing repression of the worse kind. Some intellectuals fear the advent of Argentinization.

The much admired economic growth rate of slightly

over ten percent for the years 1968-1974, commonly referred to as the Brazilian Miracle, was a consequence of the government's promotion of import-substituting industrialization, attracting foreign investment to Brazil, expanding exports through various subsidies, and increasing the role of the state in national economic decision-making.¹ After 1974, Brazil joined other victims of petroleum price rises as stagnation and inflation took place simultaneously. The bubble of the miracle had burst.

As the Brazilian economy of the second half of the 1970's moved from bad to worse, so did the political situation. The dichotomous mentality of "government versus opposition" affected all levels of society, even the inner circles of the regime. The results of the elections of the 1970's convinced the ruling elite of the inviability of the two-party system made up of the National Renovation Alliance (ARENA) and the Brazilian Democratic Movement (MDB), the in and out parties. ARENA controlled close to two-thirds of the seats of the Chamber of Deputies at the outset of the decade, but in the second half, its control was reduced to a little over half.² The executive branch countered this slippage by "creating" one-third of the federal senators who were quickly dubbed *biônicos* (bionic senators) to assure the control of the upper chamber. President Geisel's intimate advisers were split; the moderates called for relaxing the authoritarian grip as a means of enhancing the regime's political base, while the hardliners (*linha dura* or simply *duros*) insisted on tightening it further. The moderates prevailed; thus *abertura* was born.

The designers of the policy of *abertura* want to use it as a vehicle to provide a credible degree of political democracy and social reforms, thus upgrading Brazil's international image and enhancing its diplomatic posture as a—if not the—leader of the third world. At the same time, *abertura* is intended to divide the opposition. In mid-1979, the government enacted the Amnesty Act, permitting opposition political exiles (*cassados*) to return home. By the end of September, leading *cassados* like Leonel Brizola, Miguel Arraes, and Márico Moreira Alves, all known leftist politicians of the 1960's, began to reenter the radically reshaped political arena. As the planners of *abertura* had anticipated, opposition unity did not follow. But if the regime persists in an authoritarian vein the opposition may find cause enough to unite.

¹Werner Baer, *The Brazilian Economy: Its Growth and Development* (Columbus: Grid Publishing Co., 1979), pp. 92-94.

²David F. Fleischer, "Os eleitos à Câmara Federal—1978: renovação ou imobilismo?" in *As eleições nacionais de 1978*, 2 vols (Brasília, 1979), vol. 1, pp. 58-72.

The homecoming of the exiles was followed by the dissolution of the two-party system and the organization of new parties. By early 1980, five separate parties had emerged. The two major factions of ARENA failed to resolve their differences. The pro-government faction organized the Social Democratic party (PDS), with José Sarney as its president. The dissident ARENA bloc, with Magalhães Pinto as its titular head, joined forces with a group of MDB deputies and senators and created the Popular party (PP). This new group, in spite of its misnomer, is hardly a party for the common man; rather, it serves as a political vehicle for bankers, industrialists and entrepreneurs who resent the military domination of the regime but support the status quo. Technically a part of the opposition, the PP has thus far found excuses to cast its lot with the PDS on several key issues.

The third party, the Brazilian Democratic Movement party (PMDB), is the real core of the opposition. The party reform bill requires all parties to carry the label "partido." Hence, the founders of the new group simply added the word P(artido) to its old name, MDB. It is led by Ulysses Guimarães.

The fourth party is the old Brazilian Labor party (PTB), founded by Getúlio Vargas in 1945. A leadership dispute between Brizola and Ivete Vargas caused the party to split by mid-1980, with the former leading his faction out and forming a separate Democratic Labor party (PDT).³ Former PTB deputies and senators joined the Brizola faction, the fifth party.

The sixth party is the new Worker's party (PT), controlled by authentic labor chieftains. Tired of government-manipulated labor bosses (*pelegos*) and suspicious of professional politicians claiming to speak for the workingmen, labor chieftains in São Paulo organized a national party of their own, electing as its head Lucius Inácio da Silva (Lula) of the São Bernardo Metalworkers Union. Lula became a national celebrity two years ago when he led a wildcat strike for the metalworkers and secured substantial concessions from management. The PT hopes to accomplish what the PTB and PCB failed to do.

In addition to these six personality-ridden parties there are two major and one minor Communist parties: the pro-Moscow Brazilian Communist party (PCB), the new Revolutionary Communist party (PCR), and the Communist party of Brazil (PC do B), formerly pro-Beijing and now pro-Albania. For the time being, the opposition has no plans to organize a united front.

According to a mid-August Gallup Poll, fully one-third of the public is indifferent to party reform. (Of those who expressed a preference, the PMDB led the other five with 16 percent.) Parties are now in the

process of holding state conventions, and national meetings will probably take place in 1981 to prepare for the forthcoming elections. Partisan affiliation is shifting daily, and even in the federal congress not all deputies and senators have chosen sides.

In July, General Golbery do Couto e Silva, chief of the Civil Household (Gabinete Civil) for President Figueiredo and architect of *abertura*, gave a speech at the National War College (ESG). Golbery stated that Brazil finds itself at a crossroad: to abandon *abertura* would prompt the opposition to unite; to continue would ensure a fractured opposition but might provoke attacks and even violence from rightist groups. One letter bomb sent to the Brazilian Bar Association in Rio killed a secretary and wounded others, while more bombs went off in São Paulo and Porto Alegre.

Bomb scares have been frequent occurrences in Brasília, although it has thus far escaped any incidents because of stringent security measures in all federal buildings. The capital has also witnessed the publication of a Falangista manifesto in a leading daily, warning of the too rapid pace of *abertura*, as well as an assault on an opposition federal deputy by a band of army security people in civilian clothes.⁴ Golbery's message was therefore directed to the extreme left and right, reminding them that they had been purged, exiled and retired from politics and military service by the mainstream supporters of the revolution of 1964. The government would not tolerate any opposition to *abertura*, which has proved to be a better weapon than any right-wing repressive measures for fragmenting the opposition. Yet the sporadic violence inflicted by the *duros* has persisted. Instead of trotting, to use the equestrian President's favorite expression, *abertura* is crawling. To other opponents of the regime, it is at a standstill. Raymundo Faoro, former president of the Brazilian Bar Association, has emphatically pointed out that *abertura* has stalled and is paralyzed.

Although at the moment there is no formal organization that could unite the *duros* of the military and civilian groups, such a possibility cannot be dismissed. The leader of the *duros* in the army is General Antônio Bandeira, commander of the strategic Third Army in Porto Alegre, Rio Grande do Sul. Former chief of federal police during the most repressive years of the Emilio Garrastazu Médici regime (1969-1974), General Bandeira is said to be loyal to Figueiredo but is hardly regarded as a warm endorser of *abertura*. Right-wing generals, active and retired, like Sílvio Frotas (the former army minister fired by Geisel) and Florimar Campello (commander of the Fourth Army in the Northeast) are sentinels of discrete opposition to *abertura*.

By November, 1981, for the first time in recent history, a President will have had a free hand in replacing the entire hierarchy of the Army High

³*Isto é*, October 22, 1980.

⁴*Correio Braziliense* (Brasília), September 3 and 10-14, 1980.

Command. The first of the Alto Comando to retire was Antônio Bandeira at the end of 1980, who served the mandatory 12 years as a general. His replacement was General Alacyr Frederico Werner, a 1937 classmate of the President at the Realengo Military School. By July, 1981, six more four-star generals will retire, and by November, the last three of the High Command will step down. President Figueiredo thus will have an unprecedented opportunity to restructure the army and influence its future political role.

Even if a moderate wing of the army could assure the continuity of abertura, the real success of the current regime and thereby the restoration of civilian rule by 1985 will depend on the economy. Social scientists and even some government economists believe that the regime has failed to spread the benefits of the miracle evenly. The question of inequitable income distribution has raised a storm.⁵ Two World Bank economists have concluded that the issue of acutely skewed income distribution has been grossly exaggerated. One Brazilian economist rejected the findings of the 1979 World Bank study and retorted that the problem still exists.⁶ The distribution of income notwithstanding, however, the Brazilian economy is plagued by ever-rising petroleum prices, a bloated foreign debt, out-of-sight inflation rates and, most important, personality feuds among the regime's chief economic managers.

The Brazilian planning establishment has only been under the firm control of Antônio Delfim Neto, chief economic architect and a brilliant economist-technobureaucrat, since mid-1980. Having served briefly as the state secretary of finance at São Paulo in the mid-1960's and more brilliantly as the minister of finance for the Costa e Silva and Médici administrations (1967-1974), Delfim was the maker of the Brazilian Miracle and is a clever politician.

Wary of Delfim's political maneuvering, Figueiredo chose to keep an eye on the ambitious technobureaucrat by reining him into the Cabinet as minister of agriculture, a minor office. The base of the Brazilian miracle was industry, not agriculture. The economic planner of the regime was Mário Henrique Simonsen, Geisel's finance minister; and the ministry of finance was given to Karlos Rischbieter, a flamboyant former president of the Bank of Brazil.⁷

The first conflict in the troika erupted in the form of

⁵Baer, *op. cit.*, pp. 101-105.

⁶*Latin American Regional Reports: Brazil*, February 25, 1980, hereinafter cited as *LARR: Brazil*.

⁷Simonsen's economic ideas are well preserved in two of his best known works: *Brasil 2001* (Rio, 1969,) and *Brasil 2002* (Rio, 1973).

⁸Nicholas Asheshov and Cary Reich, "Has Delfim Worked His Last Miracle?" *Institutional Investor*, August, 1980, p. 35.

⁹Inter-American Development Bank, *Economic and Social Progress in Latin America: 1979 Report* (Washington, D.C., 1980), p. 194.

personality squabbles between Delfim and Simonsen. Within days after he took office, the agriculture minister lavished the agrarian sector with easy credit and loans, arguing that Brazil needs expansionist policies to restore its miracle, this time with agriculture in the driver's seat. Simonsen and Rischbieter instead called for a "go slow" approach, which Delfim dismissed as recessionist. With a population growing at 2.7 percent a year, 1.6 million working-age Brazilians enter the labor market annually; thus anything under a five percent growth rate is considered recession. According to the minister of agriculture, Brazil had to increase its exports, especially of agricultural products. The neglect of the agricultural sector contributed to a shortage of basic foodstuffs like beans, rice and even beef. In 1979, Brazil imported US \$1.5-billion worth of food; a year later, there was still a long line of housewives waiting to buy beans in Rio and other cities.

A more conservative and cautious economist, Simonsen is the antithesis of Delfim. While Delfim is an ebullient team player, Simonsen is shy and a loner in bureaucratic infighting and decision-making. Charged with the responsibility of managing the Brazilian economy, the planning minister set a course for a mildly depressive policy as the principal remedy for high inflation. President Figueiredo, on the other hand, was determined to pursue abertura on the political front, while simultaneously continuing an economic growth policy and curbing inflation. The disagreement between Delfim and Simonsen came out in the open by mid-1979. In the Byzantine game of palace politics, Simonsen lost, and in August, Delfim replaced him as the planning minister. This change of guard brought Delfim's mafia back to power and led to a significant revision in economic policies.⁸

During the next few months, Delfim dismantled Simonsen's work and instituted a series of measures that would ensure the revival of the miracle. The third national development plan (PND:1980-1985), released in late September, bore Delfim's indelible mark: commitment to rapid economic growth, creation of new jobs, "correction" of personal and regional income disparities, control of the inflation rate, and restoration of a favorable balance of payments.⁹ By December, Delfim had unveiled his new economic package: a one-time, 30-percent devaluation of the *crucero* and a preset devaluation rate of 40 percent for 1980; the elimination of government subsidies to exports; the abolition of the required 50-percent *crucero* deposits on all foreign loans to the private sector; and an end to subsidies for financial transactions.

In January, 1980, the planning minister went a step further: while he set the monetary correction at 45 percent for 1980, he increased the tax on all financial transactions (IOF) from 3 percent to 15 percent. As

the grandson of Italian immigrants, Delfim exhibited a fine flare for populism: those who earned an annual income of more than US \$82,000 were charged retroactively with a 10 percent "wealth tax," which in reality was tantamount to an interest-free loan for the government. In theory, the tax was to be utilized for two years and then paid back at an annual interest rate of 6 percent.

Delfim's policies were immediately criticized by Finance Minister Rischbieter and Brazil's business community, his basic constituency. The planning minister optimistically predicted that the 1980 deficit would be less than US \$2 billion, once his economic package had time to work. Rischbieter disagreed. In a separate forecast filed with President Figueiredo, the finance minister predicted that the current deficit would rise as high as US \$4 billion. Golbery attempted in vain to reconcile the feuding ministers. Delfim drove Rischbieter out of office and received sweeping powers from the President. In fact, Delfim has veto power over any economic decision made by federal ministers. This is Delfim's ultimate victory, but it could well be the beginning of his downfall and an end to his own chances for the presidency in 1985.

The positive performance of agriculture in Brazil needs the cooperation of mother nature. In 1978, Brazil's productivity fell to 1.7 percent from 5.7 percent in the previous two years. In 1979, there was a slight recovery, to 3.2 percent. Eager to reduce food imports and to create a domestic fuel industry making alcohol from sugarcane, manioc roots and other biomass sources, Delfim stressed the development of agriculture on an unprecedented scale. To finance various programs, he returned to European and American commercial banks. In the first six months of 1980 alone, Brazil borrowed a little less than US \$2 billion to supply state-run operations with much needed funds. Brazil's borrowing power among United States banks was said to have almost reached its limit; bankers on both sides of the Atlantic apparently accepted the inevitability of rescheduling some of Brazil's foreign debts originally due in 1982-1984. By the end of 1980, the foreign debt had risen precipitously to US \$55 billion or higher. However, Roberto Campos, Brazilian ambassador in London, argued that the Brazilian foreign debt is still manageable. Brazil's debt amounts to only 25 percent of its GNP,

while the same figures for petroleum-rich Mexico and Venezuela are 32 percent and 46 percent, respectively.¹⁰ As planning minister after 1964, Campos brought the galloping inflation of the 1960's under control. Lately, he has been mentioned as a possible successor to Delfim.

The shaky economic conditions of 1980 did not augur well for 1981. They could stifle a peaceful transition from military rule to a democracy under a civilian President. The lack of economic success on the home front can cause the loss of Brazil's overseas credit sources, and at the same time economic failure will breed domestic unrest, threatening a return to political repression and Delfim's downfall. And the souring economy will dash his political hopes for 1982 and 1985.

There is no shortage of politicians eager to replace Delfim as a candidate for the governorship and the presidency. For the time being, however, the mood in Brazil and overseas is that given the present circumstances, no one can fare better than Delfim as Brazil's chief economic manager.

Political abertura has also set off social unrest. The 1980 strikes of industrial workers, bank clerks, and university students and professors were just a beginning. São Paulo, the industrial and financial hub of the country, was continually paralyzed by strikes. The gains made by the São Bernardo Metalworkers set an important precedent for other labor unions, but the government reacted harshly by arresting key labor leaders as strikes proliferated. At each labor settlement, Delfim warned that a high wage increase would only lead to still higher inflation. Trade unions have been catapulted to the forefront of national politics in the wake of abertura, but the government has taken a dim view of the activist social and political role sought by organized labor.

FOREIGN CAPITAL

Economic hardship has also sparked discussion about foreign capital in Brazil. In the 1960's and early 1970's, multinationals were accused of having forced technologically inferior and undercapitalized Brazilian firms out of business. Criticism of the process of "denationalization" has been revived, especially since Delfim's emphasis on agriculture has drawn attention to large landholdings. Although the foreign share of investment in the national economy is about 10 percent, it has exercised disproportionate influence because of its monopolistic position in high technology and capital-intensive activities.¹¹ Consequently, some Latin American intellectuals have linked the longevity of military authoritarianism with the expanding participation of transnationals in industrialization. One recent study on the subject even discounts the contributory role of foreign capital in the Brazilian economy and wonders if the social and political price

¹⁰Peter Field and Stephen Downer, "Brazil's Rescheduling: This Year, Next Year, Sometime, Never?" *Euromoney*, October, 1980, p. 96.

¹¹Baer, *op. cit.*, pp. 129-31. For the role of the multinationals, see Moniz Bandeira, *Cartéis e desnacionalização (a experiência brasileira: 1964-1974)* (Rio, 1975) and for a more scholarly work, see Luciano Martins, *Nação e corporação multinacional* (Rio, 1975). The best work in English is Peter Evans, *Dependent Development: The Alliance of Multinationals, State, and Local Capital in Brazil* (Princeton: Princeton University Press, 1979).

it has paid is worth it.¹² Both the left and right argue that Delfim's industrialization policies of the late 1960's and early 1970's failed to develop domestic capital goods industries, allowing the multinationals to establish a monopoly in this area. It is feared that Delfim's current agricultural policy will lead to similar foreign dominance over landholdings.¹³ At the forefront of the controversy is Project Jari, a private enterprise owned by Daniel K. Ludwig, a reclusive American billionaire.

In its thirteenth year in Brazil, the Jari Forestry and Agropastoral Enterprises have so far invested over US\$800 million. A man of vision, Ludwig built his enterprise in Amazônia on the assumption that there would be a worldwide shortage of paper and wood products by the year 1990. Early setbacks in the Jari project, both ecological and human, have been gradually overcome by Ludwig's personal dedication. His successes have attracted worldwide attention and hence more public scrutiny. Recently, books, articles and congressional investigations have somewhat unfairly depicted the billionaire as an avaricious capitalist and an archetype foreign exploiter.¹⁴ What sets Ludwig apart from other foreign investors is the fact that he is as much a pioneering experimenter in Amazônia as a profit-seeker. Even critics admit that Ludwig pays higher wages to his workers than Brazilian firms, but they point out that he also receives federal subsidies: exemptions on import taxes, government loans, and tax write-offs on reinvested profits. The impact of Delfim's economic policies recently prompted the Jari Enterprises to request more government aid, including tax waivers, but to no avail.¹⁵ In the era of abertura, the government has become cool to foreign investors.

Brazilians of differing political persuasions agree that Amazônia has been gradually taken over by speculators from Rio, São Paulo, and foreign countries, thus raising the agrarian reform issue that has been dormant for over a decade. The combination of Delfim's stress on agricultural development and the sagging economy has focused national attention on

¹²David Collier, ed., *The New Authoritarianism in Latin America* (Princeton: Princeton University Press, 1979) devotes its attention to the question. For Brazil, see José Serra, "Three Mistaken Theses Regarding the Connection between Industrialization and Authoritarian Regime," *ibid.*, pp. 99-163.

¹³A good case in point is Octavio Ianni, *Ditadura e agricultura* (Rio, 1979) and *A luta pela terra*, 2d ed (Petropolis, 1979). *LARR: Brazil*, February 25, 1980.

¹⁴For a journalistic exposé, see Jamie Sautchuk, Horácio Martins de Carvalho, and Sérgio Buarque de Gusmão, *Projeto Jari: a invasão americana*, 4th ed. (São Paulo, 1980) and for a better documented work is: Irene Garrido Filha, *O Projeto Jari e os capitais estrangeiros na Amazônia* (Petropolis, 1980).

¹⁵*Correio Braziliense*, September 11-13, 1980. It was reported that Ludwig wrote a personal letter to General Golbery asking him to intercede with federal ministers.

the role of Amazônia and its adjacent states. A study by the National Institute of Colonization and Agrarian Reform (INCRA) shows that the agrarian problem has worsened since 1964. Over 72 percent of all rural properties are classified as *minifúndios*, too small to be economically productive, and they occupy less than 13 percent of the registered land. The number of rural migrant workers (*bóias frias*), the lowest paid laborers in Brazil, increased from 4 million in 1967 to 7 million in 1973. No figure is available for 1980. Regional planning agencies like SUDENE and SUDAM (federal development organs for the Northeast and the Amazon region, respectively) have encouraged agricultural development through easy financing. Brazilian and foreign corporations, rich individuals with government connections, and politicians are the chief beneficiaries of such funding. Projects have often been speculative and only on paper. So far, INCRA has not come up with a viable solution, except to introduce a land tax as penalty for the underutilization of property.

Other important social and economic developments highlighted 1980 as a turning point for basic change in Brazil. In early September, Brazil's 57 public and private universities (with a total enrollment of 1.5 million students and some 45,000 professors) went on strike for three to five days. Since 1964, federal funding to education has steadily declined, from 11 percent in 1965 to a little over 5 percent in 1980. Tuition and fees in private institutions rose by 70 to 110 percent in just one year. Faculty salaries remained low, causing the talented to leave for the private sector. But the crowning point of the students' activities was the thirty-second Congress of the National Student Union held in October in Piracicaba, São Paulo. Some 4,000 people came to the meeting, which soon turned into a *carnaval* of samba and *caçaca*.

A veritable Brazilian Woodstock, the congress was convincing proof that at least for the time being abertura works. Of 2,600 delegates, well over half were either representatives or sympathizers of the leftist groups, ranging from the conservative PCB to the Revolutionary Movement of October 8. No fewer than six Marxist, Trotskyite and other leftist groups ran their candidates for the national directorate. Unquestionably, the new leadership will be pro-left.

Brazil's move to attain nuclear independence has

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"Despite much talk of opening the system and restoring the rights of political parties in Argentina, little change is likely to occur in the next few years under General Viola. . . ."

Illusion and Reality in Argentina

BY GARY W. WYNIA

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TO the casual visitor, signs of change abound in Argentina. Old airports have been remodeled; freeways with cloverleaves circle Buenos Aires; new hotels and office buildings indistinguishable from those of Houston or Miami rise alongside the Rio de la Plata; and "Chéburgers" are sold in fast food restaurants along some of the most fashionable streets in the capital. A grossly overvalued exchange rate has allowed middle class Argentines to shop in Miami, returning with their luggage filled with transistorized goods, jogging shoes, dacron coats, and Levis, subverting the country's traditional European dress code. What the Argentines have gained from the unique exchange rate, the holders of United States dollars have lost. The one-time haven for low-spending, big-eating North Americans has vanished, replaced by a country with a \$2 cup of coffee, a \$15 steak, and an \$80 modest hotel room.

Friends and foes, residents and exiles, economists and political scientists who were once preoccupied with the ills of this perplexing country are puzzled by its changes. What concerns them, however, are not just the fascinating and superficial life-style changes, but the more fundamental question of how Argentine economic and political institutions responded to the unprecedented economic crisis, civil violence and repression that shocked the country in the mid-1970's.

The country's current rulers have set as their objective the transformation of the economic and political rules that have guided national conduct for the past four decades. They claim that they have the technical knowledge and policy instruments required for the task, and they believe they have the support of many of their fellow citizens who welcomed their termination of the internal warfare that plagued the country between 1973 and 1978.

Argentina's current government was created in March, 1976, in a desperate attempt to stop the country's descent into political and economic chaos. The nation had struggled for nearly two decades with destructive conflict between the supporters and opponents of Juan Peron, President between 1946 and

1955. Finally, in 1973, the Argentine military, who since 1930 had deposed five elected Presidents, made one more attempt to deal with the Peronist issue by supervising an open election that allowed Peronist candidacies and the return of the aged Juan Peron to the presidency one year later. The expected reconciliation, which was fragile from the start, collapsed quickly after Peron's death in 1974. Administrative chaos, policy confusion, internal struggles for power, opposition attacks and an escalation of urban guerrilla warfare against the regime destroyed the illusion that Argentina was being governed at all. When the coup finally came no one was surprised.

Predictably, political parties were banned, labor and other active interest groups were banned, and all conventional political activity was suspended indefinitely. In addition, the government introduced one of the most thorough campaigns of political repression seen in the postwar era in Latin America. Frightened by the escalation of terrorist activity directed against the Argentine establishment, the military unleashed its own weapons as well as those of its clandestine collaborators to eradicate terrorist organizations and anyone suspected of sympathy for them. The well-documented result was the imprisonment or disappearance of between 10,000 and 15,000 Argentines, the exile of many others and the indefinite suspension of civil liberties.¹

If the eradication of anti-government terrorist organizations was the immediate cause adopted by the Jorge Videla government, the rescue of the nation's economy was not far behind. Argentina's economic plight was well known in 1976 and explanations for its misfortunes abounded, including its excessive dependence on unreliable international commodity markets and very fickle foreign capital, ineffective government manipulation of the domestic market, antiquated technologies and inefficient industries and farms, a highly mobilized and politically potent labor movement, political instability that frequently undermined the enforcement of consistent economic programs, a bloated public sector, and a tradition of cynicism and economic opportunism.

In comparison with most third world countries, of course, Argentina's condition did not appear all that

¹For more details on human rights violations see Peter H. Smith, "Argentina: The Uncertain Warriors," *Current History*, February, 1980, p. 62.

desperate: its per capita gross domestic product (GDP) was \$1,550; its economy had grown at an annual average rate of 4.2% between 1960 and 1970, and 3.2% between 1970 and 1976; its population growth rate was only 1.3 percent annually; it enjoyed a large surplus of grain and meat products; and it was nearly self-sufficient in petroleum. But Argentines did not take much comfort from such indices; rather, they compared themselves with Austria, Italy, Spain and other European nations, and the contrasts remained unfavorable.

Frustration had generated several unsuccessful attempts to "rescue" the Argentine economy between 1955 and 1976. Another effort was begun in 1976 by Economy Minister José Martínez de Hoz, a veteran of past efforts, who was convinced more than ever that the elimination of competitive politics was essential to the restoration of dynamism to the Argentine economy. Martínez de Hoz's prime objective was to make Argentines live by the rules of the marketplace internally and externally, seeking their individual and corporate advantages where market conditions dictated. In concrete terms, this involved the opening of a highly protected economy to foreign competition, the reduction of state intervention in the marketplace, and the transfer of most state production activities to the private sector. Of equal importance and of even more immediate concern was the reduction of the astronomical inflation rate which had risen to 444 percent in 1976.

After nearly five years, Martínez de Hoz was still working hard at his job as 1980 drew to a close, no mean feat in a country that has seen 32 economy ministers come and go during the previous 32 years.² He is, of course, the first to say that much remains to be done and that it would be premature to judge his performance at this time. Nonetheless, assessments of the outgoing Videla administration and its economic record are unavoidable.

Clearly, some of the rules of the Argentine economic game have been altered. Change came more slowly than promised, and more revisions were required than anticipated, but the achievements are still notable. Most striking was the elimination of many government controls that were taken for granted for 35 years. Price controls were among the first to go. Ceilings on interest rates, along with most exchange controls, were removed. Wage controls endured only until September, 1979. Moreover, in 1978, a gradual process of tariff reduction was begun in a deliberate attempt to force Argentine entrepreneurs to increase

their capacity to compete in the international market.

Where have these and other measures led? Martínez de Hoz's supporters claim that he has worked the Argentine "economic miracle." More detached observers, however, prefer to label his performance a "modest miracle," if one at all. Economic growth has not been steady: after declining by 1.7 percent in 1976, the GDP rose by 5.2 percent in 1977 thanks to a record harvest encouraged by an exchange devaluation and the elimination of export taxes. The GDP again fell by 3.2 percent in 1978 and then rose by 7.3 percent in 1979. A rise of between 4 and 5 percent is expected in 1980. In 1979, domestic consumption expanded for the first time in four years (at a rate of 6.9 percent), after declining by an average rate of 5.4 percent during each of the previous four years.

Among the different economic sectors, agriculture managed a 8.3 percent growth rate in 1979, although a severe drought should reduce the 1979-1980 crop substantially. Manufacturing recovered in 1979 at a 9.8 percent rate, with all sectors growing for the first time in five years. Petroleum and gas production increased at an annual average rate of 5.3 percent between 1977 and 1979 after virtually no growth in the previous five years. Even the real wage rose in 1979, although its 15 percent increase was hardly enough to compensate for the 40 percent real wage loss between 1976 and 1978. Also significant was the dramatic improvement in the country's international payments position, helped largely by record harvests in 1977 and the use of high interest rates and an overvalued currency to attract short-term foreign currencies in 1978 and 1979 (net capital inflow reached \$4.3 billion in 1979, up 267 percent over 1978.) One result was an increase in net reserves from \$555 million in 1976 to \$9 billion in 1979.³

The shrinking of the public sector, as before, has proved more difficult than expected, although some change is notable. After reaching 15.9 percent of the GDP in 1975, the public deficit was brought down to 6.6 percent and its financing by the Central Bank was eliminated in 1979. Simultaneously, tax collections were increased 109 percent in real terms and 250,000 public employees were dismissed. The government's shares of over 100 firms were sold to the private sector; the figure is misleading, however, since the government's larger enterprises remain in the public sector because of the lack of buyers and the military opposition to ending state monopolies in transportation and public services.

The greatest disappointment has come in the battle against inflation. With inflation averaging 170 percent between 1977 and 1979, the best the government can hope for is to hold the price level increase to 100 percent in 1980 and 85 percent in 1981. Nevertheless, in mid-1980, Martínez de Hoz proudly boasted that

²The average tenure of an Economy Minister during the period was 11.5 months; only 11 of the 32 lasted more than one year.

³Economic performance data is taken from Inter-American Development Bank, *Economic and Social Progress in Latin America-1979 Report*, pp. 145-151.

"we have done what an elective government with an election next year can't do—we have accepted short-term negative effects for long-term progress. . . ."⁴

The short-term effects have been felt more by some than others. Argentine workers, although they enjoy almost full employment, received an estimated 25 percent less in real wages in 1980 than they had five years earlier. Farmers have seen their high 1977 profits decline, after the government resorted to a 30 percent overvaluation of the Argentine peso in 1979, and bankruptcies have reached record levels in industry and commerce as many firms have lost out to foreign competition. Farmer and industrialist protests against current policies have increased, and so have disagreements within the Cabinet.

General Roberto Viola, Videla's designated successor, will inherit an economy that is still plagued by serious problems. Speculators anxiously await the announcement of a major currency devaluation that officials insist will never come. Much of the capital attracted to the country is highly transitory, drawn to financial institutions by currently high interest rates. Moreover, emergency measures were taken in July, 1980, as a result of pressure on the balance of payments caused by record-breaking imports and foreign travel by Argentines; included among the measures were the cancellation of the customs exemption on imports of returning Argentine travelers, the abolition of one-year limits on credits contracted in foreign currencies, and the extension of the value-added tax (VAT) to food and medicines. The government quickly changed its mind on the VAT extension, however, fearing a 6 percent rise in the cost of living if it were implemented. And while the removal of limits on credits attracted some foreign capital, it proved temporary.

POLITICAL ORDER

General Videla was initially supported by a majority of his countrymen, including the leaders of most of the country's political parties, who welcomed a swift end to the political violence and economic chaos that had threatened their lives and livelihoods in 1975 and 1976. Yet once the costs in lives and human rights lost accumulated, the initial enthusiasm for the military solution waned. Since 1978, many Argentines have agonized over the dilemmas posed by a regime whose intervention they welcomed, whose creation of political order they appreciated, and whose harsh economic remedies they reluctantly accepted, but whose persistent violations of their sense of justice they abhorred. Many middle class Argentines defended the government as an unfortunate but necessary response to the events of 1975 and 1976; but they increasingly question the necessity of retaining the autocratic, repressive apparatus that it employs.

⁴*Business Week*, July 21, 1980, p. 78.

Where does this leave Argentine politics? Undoubtedly, this is a question that the military leaders asked themselves frequently during 1980 and will continue to ponder in the months ahead. An answer of sorts was given by Videla at the end of 1979, when he announced that the junta was at last ready to begin laying the foundation for the creation of a democratic government. No schedule was set nor was a mechanism for the process announced, because the military is convinced that by leaving their schedule open-ended they can avoid the pressures that follow a commitment to a specific plan to which political parties and other participants could force them to adhere.

The process of political reorganization now under way was labeled the "political basis for the national reconstruction" and was said to involve a dialogue between the government and civil forces. It remained little more than a title until Videla announced on March 26, 1980, that consultations would begin shortly. He insisted that they would not aim for the immediate creation of new electoral laws and political party statutes, but would focus instead on the identification of fundamental political values and democratic institutions around which a new national consensus could be constructed. Only after that consensus had been reached would attention be turned to the actual reorganization of the political process. Argentines, who are more accustomed to fighting over public policy issues than to debating political philosophies with military officers, were bewildered by the President's noble statements. They wonder if the proposal is really serious and, if so, how it will be managed, given the military's refusal to announce its terms or its participants.

Whether or not General Videla and his colleagues have a hidden agenda or no agenda is not known. Cabinet member Admiral Armando Lambruschini has said that neither a populist solution of the Peronist variety nor any kind of leftist outcome will be tolerated. Nor, clearly, would any regime be allowed to oppose the government's current economic strategy. What the military leaders oppose is clearer than what they expect to include in the new political order.

In essence, the strategy calls for waiting some time and then permitting the most respectable political movements to exchange constructive ideas with the government. Little by little a generation of new politicians should appear, thanks to a series of conferences about democracy promoted by the military. Once the politicians have demonstrated their seriousness, more and more power will be turned over to them.

Unfortunately, if the politicians could learn anything from the past, they would already have done so. If the military plan to wait until the old political leaders have died or retired, then much will depend on the character of those who replace them. And nothing

indicates that they will be less demagogic, more compatible, or more acceptable to the military than their predecessors.⁵

President Videla's promise to consult civilian groups has unleashed some immediate problems. Political party leaders, most of whom were demoralized by the events of 1975-1976 and were reluctant to speak out until the military's intentions were clarified, have seized on the President's proposal to reassert their claims to be included in the political process. With memories of past failures fading, they are again looking for constituents and have irritated the junta by making its ban on political party activity increasingly hard to enforce. Encouraged by presidential chats with a few old party leaders, Peronists and Radicals began to call their party directorates together in mid-1980, despite prohibitions against party activity. Fearing that government acquiescence might encourage a rapid expansion of party activity, Videla responded in September by prohibiting all party gatherings and banishing a well-known Peronist leader to the northern province of Formosa.

Equally important are the country's economic interest groups, long a critical force in Argentine political life. Well organized, outspoken, and frequently hostile toward post-1955 governments, they continue to demand involvement in the policy-making process. Traditionally, Argentine Presidents have employed three strategies for dealing with interest groups. One is to seek their cooperation on particular issues by bargaining with them, either individually or within some formal consultative process. A second approach is to tolerate their existence and occasional protests while ignoring their pleas for access to decision-makers. The third involves the selective repression of organizations that threaten policy implementation or political stability. Videla's approach, still ill-defined, appears to combine the second and third strategies. In 1976, Videla banned nearly all labor and producer associations, concentrating his effort against the General Labor Confederation (CGT).

The CGT was placed under military control immediately after the coup; many of its leaders were jailed or exiled, and rank-and-file protests were repressed. Yet despite prohibitions against union activity, many union leaders who remained in their positions reasserted themselves, forming the National Commission of Workers (CNT) and the Committee of 25.⁶ On September 10, 1979, the two groups merged to form the United Leadership of Argentine Workers (CUTA), but the new organization became little more

than a shell when internal conflicts divided its leadership once again.

The government's long awaited new labor law was announced in November, 1979, and, as expected, it officially dissolved the CGT, banned all political union activities, required the secret and direct election of union officials, prohibited strikes and the organization of national labor confederations, and transferred social programs, e.g., clinics, pensions, and so on, from union control to the Control of the Social Welfare Ministry. Whether the government can actually implement this ambitious program remains to be seen.

One of the oddities of labor's response to the 1979 law was an announcement in late September, 1980, of the formation of a new CGT by the leaders of the CUTA and the "25." The exact nature and purpose of this new organization remained clouded, since anything resembling the old CGT was expressly prohibited. When asked about its status, the Minister of Labor announced that it was legal, so long as it did not operate as a labor organization.

Despite its claims of normalization, the Videla regime has not yet rebuilt a subservient labor movement. The union capacity to strike, although greatly reduced, has not been eliminated. Moreover, the Peronist loyalties of most labor leaders persist, and the government will have to deal with them.

Working class organizations were not the only ones banned by the military in 1976. The military also closed several entrepreneurial organizations that might try to obstruct the government's campaign to make their members live by the rules of the marketplace. The author of the Peronist's Social Pact in 1973, the General Confederation of Industry, was dissolved soon after the coup. Even the more conservative Argentine Industrial Union and the Chamber of Commerce were banned.

As in the case of labor, the composition and aspirations of producer groups have been little changed. The junta has tried to ignore the complaints of these groups about the measures adopted to implement its economic policies. Moreover, no plan to involve producer groups in the government has been announced.

At the end of 1980, it is clear that Argentina's

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⁵Several insights into junta political strategy can be found in James Neilson, *La voragine argentina* (Buenos Aires: Marymar, 1979).

⁶For a more detailed analysis of union factions see David C. Jordan, "Argentina's Military Commonwealth," *Current History*, February, 1979, p. 67.

"By boarding Popular Action's bandwagon, many [Peruvian] voters sought to ensure the transfer of power to a stable civilian administration. Furthermore, a vote for Belaúnde was a final protest against the military men who had replaced him a dozen years earlier."

Encore for Belaúnde in Peru

BY DAVID P. WERLICH

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AFTER a dozen years of military dictatorship, Peru celebrated the 159th anniversary of its independence on July 28, 1980, by restoring constitutional government. The moment was especially sweet for Fernando Belaúnde Terry, the newly installed President, who was ousted from the Palace of Pizarro by the generals on October 3, 1968. General Francisco Morales Bermúdez, the retiring chief executive, did not attend the inauguration, because Belaúnde's election was, in part, a repudiation of the "Docenio" (as Peruvians now call the twelve-year "Revolutionary Government of the Armed Forces") and especially of Morales' stewardship of the last five years.¹

Morales Bermúdez, a political moderate, had replaced the radical General Juan Velasco Alvarado in an August, 1975, coup supported by most of the country's military leaders. Ill-conceived and mismanaged programs along with a spate of bad luck had led to an economic crisis.² While productivity sagged, Peru recorded large deficits in its domestic budget and international trade accounts, a towering external debt, and accelerating inflation and unemployment. The regime responded to mounting popular discontent with increasingly violent repression. In mid-1977, the foreign bankers who had financed Peru's earlier international payments deficits refused to make further loans until Lima instituted a stabilization plan approved by the International Monetary Fund

(IMF). In broad outline, the IMF package resembled the orthodox measures the regime itself had employed in the previous two years: higher interest rates and taxes; cuts in government spending; the reduction of price controls and subsidies for food and fuel; and steady "mini-devaluations" of the currency to make Peru's exports more attractive while discouraging imports. But when the administration published the harsh details of the program—which placed the greatest burden on the poor—the popular response was much more violent than anticipated.

In late July, Morales Bermúdez announced that an election for a national assembly would be held in mid-1978. After that body had drafted a new constitution, the armed forces would relinquish power to a freely elected President and Congress. Beyond his desire to extricate the military from the burdens of government, Morales hoped that the resumption of partisan activity would divert public attention from the nation's economic distress and would win the cooperation of Peru's civilian politicians. While the country's long-dormant parties awakened, the administration tightened Peru's economic belt several more notches. In early 1978, a consortium of international banks agreed to "roll over" much of the debt service due that year and to refinance all the country's external obligations. Within a few weeks, however, the IMF discovered that the government—attempting to maintain political calm prior to the election—had not fully implemented the stabilization program and had "cooked the books" to conceal the fact. The foreign banks canceled their earlier refinancing agreement, and brought Peru to its gravest economic crisis since the Great Depression.³

The nation's \$8 billion foreign debt required more than half of Peru's export earnings to service. The budget deficit amounted to 11 percent of the gross national product (GNP). Productivity was declining at a real annual rate of 1.8 percent, and inflation was racing at 74 percent for the year. One month before the June election, Javier Silva Ruete, the new finance minister, tightened the economic screws he had fashioned with the IMF. Peru obtained a new debt refinancing agreement, but the nation's poor quickly

¹Useful surveys of recent events include Howard Handelman, "Peru: The March Back to Civilian Rule," *American Universities Field Staff Reports*, South America Series, no. 2, January, 1980; and Abraham F. Lowenthal, "Dateline Peru: A Sagging Revolution," *Foreign Policy*, no. 38, spring, 1980, pp. 182-190.

²Kevin J. Middlebrook, *Notes for a Reconsideration of the Peruvian Experiment* (Washington, D.C.: Woodrow Wilson International Center for Scholars, Latin American Program, Working Papers, no. 35, 1979) summarizes and critiques the major interpretations regarding the "failure" of the "Peruvian Revolution." See also Dennis Gilbert, "The End of the Peruvian Revolution: A Class Analysis," *Studies in Comparative International Development*, vol. 15, spring, 1980, pp. 15-38.

³David P. Werlich, "Peru: The Lame-Duck 'Revolution'," *Current History*, vol. 76, February, 1979, pp. 62-65.

suffered increases of 50 to 70 percent in the price of many basic foodstuffs.

The institution of this draconian austerity program coincided with a dramatic reversal of Peru's luck.⁴ The market for several of the country's exports, which had been weak since 1975, suddenly strengthened. Peru's lead, copper and silver earned, respectively, 62, 63 and 88 percent more in 1979 than they had in 1978. Exports of petroleum from newly opened fields in the Amazon Basin jumped from 13.8 million to 23.6 million barrels, while the price of this oil doubled. Peru's coastal fisheries—nearly dormant since 1972—began to recover, and contributed 10 percent to the nation's trade receipts in 1979. But nature was not entirely beneficent. Between 1978 and 1980, Peru experienced its worst drought of the century, and agricultural production plummeted. Long a major exporter of sugar, Peru has had to import this commodity to meet its domestic needs. The nation purchased \$800 million worth of food abroad in 1979, and even more in 1980.

The overall improvement in Peru's export earnings along with the stabilization program produced a dramatic reversal in several economic trends. The nation ended 1978 with a small trade surplus, its first since 1970, and achieved surpluses of \$1.4 billion in 1979 and about \$1 billion in 1980. The budget has been balanced, and the gross national product grew by 4 percent in 1979 and perhaps 6 percent in 1980. Large reserves of foreign exchange enabled the government to prepay \$601 million in debt service in 1980, saving the treasury one-third of a billion dollars in interest. But while Peru's external economic crisis has passed for the moment, the ailing internal economy has not responded so quickly. The inflation rate dipped to 65 percent in 1979, only to soar again in 1980, when it may have approached 100 percent.

The social costs of this mixed economic success have been horrendous for most of Peru's 18 million citizens.⁵ Real income, which already had fallen by 40 percent between 1973 and 1978, dropped an additional 24 percent in 1979. About 20 percent of the

labor force is unemployed and another 40 percent is underemployed. Beggars haunt the streets of the capital. Life has been especially bleak for the 5 million residents of the *barriadas*, the squatter shantytowns that ring Lima and other major cities.

Perhaps a majority of these people subsist on half the calories and proteins defined as the minimum requirement by the World Health Organization. The Ministry of Health estimates that 59 percent of the nation's children are undernourished. Peru's consumption of milk is only one-fourth of what it should be. Infant mortality along with tuberculosis and infectious diseases have increased sharply. In the *barriadas* of Lima—half of which lack sanitary water or sewer systems—18,000 cases of typhoid fever were reported in the first half of 1980, double the rate of incidence for the same period of 1979. Peru's peasants, its poorest group, suffered a 15 percent decline in their meager income between 1975 and 1979. Spokesmen for the government frequently attributed the plight of the poor to the International Monetary Fund. But most humble farmers had not heard of that agency, and the more sophisticated citizens of Lima sardonically joked that the initials "IMF" stood for "It's Morales' Fault."

IMAGES AND ISSUES

The 100-member National Assembly elected in June, 1978⁶—during the darkest hour of the economic crisis—included 29 conservatives, 37 moderates and 34 leftists. After a year of deliberations, a new constitution was approved on July 12, 1979. Basically a blueprint for a liberal democratic state, the document provided for the direct election of a President to a five-year term and banned immediate reelection. A bicameral legislature, also elected for a period of five years, was to be chosen through a system of proportional representation. Awarding seats to parties on the basis of their vote nationwide, this feature promised small organizations some voice in Congress. The new charter broadened the electorate to include 18-year-olds and, more important, granted the franchise to illiterates, who comprise about one-fourth of the adult population.

Before the February, 1980, deadline for party registration, the fragmented Peruvian left, which had polled 36 percent of the vote in 1978, made several attempts to form a united front. But these efforts failed because of doctrinal differences and narrow, partisan ambition.⁷ Nine leftist groups—ranging from populist to Trotskyist—ultimately entered the presidential race. The strongest radical candidate was Hugo Blanco, Peru's most famous revolutionary. As a coalition candidate in 1978, he had captured 12 percent of the vote. But this alliance split in 1980, and Trotskyist Blanco headed the ticket of his own Revolutionary Workers' party (PRT). The right of the political

⁴"Peru—A Survey," *Euromoney*, Supplement, June, 1980, pp. 1-37, gives a glowing account of the austerity program.

⁵I have benefited here from insights provided by two papers prepared for the Annual Meeting of the Latin American Studies Association, Bloomington, Ind., October, 1980: Henry Dietz, "The IMF from the Bottom Up: Social Impacts of Stabilization Policies in Lima, Peru"; and Adolfo Figueroa, "Economic Crisis and Rural Poverty in Peru."

⁶My discussion of the election has been enriched by the excellent analysis of Sandra L. Woy-Hazelton, "The Return to Partisan Politics in Peru," a paper presented at the LASA meeting cited above.

⁷Jean-Pierre Beauvais, "Peruvian Left Forms United Front for May Elections," *Intercontinental Press*, vol. 18, February 14, 1980, pp. 94-96; Will Reissner, "Hugo Blanco Campaigns for Working Class Independence," *Intercontinental Press*, vol. 18, April 7, 1980, pp. 341-343.

spectrum was shared by three very small groups and the more viable Popular Christian party (PPC), which had garnered 25 percent of the vote in 1978. Led by former Lima Mayor Luis Bedoya Reyes, the PPC enjoyed the support of the "intellectual right" and the "New Oligarchy" of Peruvian industrialists.

From the beginning of the campaign the victor seemed certain to be one of two centrist parties: Popular Action (AP) or the American Popular Revolutionary Alliance (APRA). United States-trained architect Fernando Belaúnde Terry organized Popular Action after his first, unsuccessful race for the presidency in 1956. Championing democratic government and moderate, gradualist reforms to promote economic development and social justice, AP attracted independent members of the middle class and unorganized elements of the popular sector. Belaúnde promised to pay greater attention to Peru's neglected interior, and dramatized this commitment with highly publicized journeys—sometimes by mule and canoe—into the remote mountain and jungle regions of the country. Ruggedly handsome and a spellbinding orator, Belaúnde exuded charisma that added to his party's appeal. In 1962, he ran a close second to APRA's Víctor Raúl Haya de la Torre in an inconclusive, three-man contest annulled by the armed forces. In a rerun the following year, however, Belaúnde won a six-year term with a plurality of 39 percent of the vote.

A GOOD BEGINNING

"The Architect," as he was called, built a commendable record during his first two years in office. He devoted generous shares of the budget to education and health and employed the armed forces in various civic action programs. Belaúnde inaugurated a community development plan (Popular Cooperation) in which the government provided tools, materials and technical advice to peasants and urban slum dwellers who built their own roads, schools and other public facilities. He began construction of a road along the eastern base of the Andes to open millions of acres in the Amazon Basin for colonization by Peru's land-poor and increasingly restive farmers. But Congress, controlled by a coalition of APRA and the far right, blocked or weakened many of Belaúnde's programs, including a 1964 agrarian reform law. Disappointed by the limited scope of this last measure, Peru's

⁸David P. Werlich, *Peru: A Short History* (Carbondale: Southern Illinois University Press, 1978), pp. 256, 269-299. For a sympathetic treatment by Belaúnde's new minister of mines and energy, see Pedro-Pablo Kuczynski, *Peruvian Democracy under Economic Stress: An Account of the Belaúnde Administration, 1963-1968* (Princeton: Princeton University Press, 1977).

⁹A good brief analysis of the party is Richard Lee Clinton, "APRA: An Appraisal," *Journal of Inter-American Studies and World Affairs*, vol. 22, April, 1970, pp. 280-297.

peasants continued to agitate, and the armed forces crushed a Castro-inspired guerrilla movement with great difficulty.

While Congress denied Belaúnde the tax money he needed, the United States reneged on loans it had promised under the Alliance for Progress, primarily because of Peru's protracted dispute with the International Petroleum Company (IPC), part of the Standard Oil empire. Determined to continue his "revolution without bullets," the President financed his administration with short-term, high-interest commercial loans and cheap money. By 1968, inflation, heavy debt service and a large trade deficit had halted the reform program, and forced the imposition of austerity. Belaúnde seemed to be unable to deal with the country's economic difficulties or the political crises they generated. Ultimately, a controversial settlement of the IPC dispute produced a national scandal and gave General Velasco an opportunity to overthrow the President.⁸

Peru's generals and admirals instituted radical agrarian and industrial reforms, nationalized many foreign companies and attempted to mobilize the masses under the tutelage of the armed forces. Meanwhile, from his comfortable exile as a visiting professor in the United States, Belaúnde consistently criticized the military regime and called for the restoration of democracy. When partisan activity resumed in 1977, Belaúnde returned to Peru and began rebuilding Popular Action, although he subsequently refused to participate in the 1978 election for the constituent assembly. Political commentators suggested that AP's boycott arose from its fear of an embarrassingly poor showing in that contest and a desire to sidestep the controversial issues that the assembly would debate. But the former President insisted that a new constitution was unnecessary and that the work of the assembly only added legitimacy to the military regime, while delaying the return to constitutional government.

Víctor Raúl Haya de la Torre founded APRA in 1924, and provided the party with its ideology, a strange mixture of marxism, corporatism and liberalism.⁹ The party's 1931 platform advocated almost every major reform instituted in Peru during the next four decades. In its early years, APRA staged several unsuccessful uprisings that enhanced its revolutionary image but earned it the enduring hostility of the armed forces. Beginning in the 1940's, however, the party tempered its ideology and made pragmatic political deals with its avowed enemies on the right. Seeking narrow partisan advantage, APRA fought Belaúnde's reforms. During the Velasco era, the party claimed to have inspired the "revolution," while condemning the specific actions of the government. APRA gave guarded support to Morales Bermúdez and, in exchange, earned the favor of its old nemesis,

the armed forces. Over the last half-century, APRA has traditionally polled about one-third of the vote in Peruvian elections, with most of this support coming from stalwarts who were "born" into the party. It has earned the enmity of much of the remaining two-thirds of the electorate, which has divided its vote among several parties.

APRA won the 1978 election for the National Assembly with 35 percent of the vote, and Haya de la Torre was chosen president of that body. Within a few weeks, however, the party's patriarch could no longer participate actively. In addition to his apparent senility, Haya suffered from a blood disease, a failing heart and lung cancer. Yet APRA nominated him for his seventh presidential contest at its July, 1979, convention. In part, this was a final tribute to the 84-year-old "supreme chief"—an honor to be savored along with his nomination for the Nobel Peace Prize.

More important, Haya was the only leader who could hold the faction-torn party together. Sixty-three-year-old Armando Villanueva del Campo, representing the populist wing of the party, advocated a return to APRA's revolutionary past, and favored electoral alliances with the orthodox Communist party and other elements of the "responsible left." APRA's more conservative Old Guard supported Andrés Townsend, a 64-year-old intellectual who appealed to the party's middle-class following. In response to Villanueva, Townsend denied that APRA had strayed from its original course, and asserted that it was the "responsible left."

Haya de la Torre died on August 2, 1979, three weeks after he had signed Peru's new constitution. In October, when another APRA convention met to select Haya's heir, Villanueva won the party's presidential nomination after a bitter contest. The delegates, by acclamation, chose Townsend for the vice presidential slot. But it required several days of negotiations to gain his acceptance of the nomination in the interests of "party unity."

PARTY PLATFORMS

The platforms championed by Peru's 15 presidential candidates were as diverse as their ideologies.¹⁰ While the PPC glorified the dignity of man and the benefits of free enterprise, the PRT advocated a "workers' government without generals or bosses," which would confiscate private property, substitute "people's militias" for the armed forces and police, and provide free abortions and prompt divorces. APRA and the AP presented similar programs. Both parties promised emergency public works to create a million new jobs; more money for health and education; the opening of new lands through irrigation in

arid zones and roads into Amazonian Peru; government credit and technical assistance to increase agricultural production; and the reinstatement of workers fired because of strike activity during the previous three years.

APRA advocated continued subsidies for food and a "windfall profits" tax on companies in the export sector. Belaúnde proposed to combat the nation's housing shortage with subsidized mortgages and a "materials bank" to help the poor build their own homes. He emphasized his commitment to the complete restoration of democracy and promised to return the state-controlled newspapers to their former owners. To reassure the military, the former President insisted that he did not seek vengeance against the institution that toppled his government in 1968.

Imagery, however, often seemed more important than substantive issues. The government provided free advertising to all parties in the newspapers and on radio and television, and the larger partisan groups spent huge sums for additional media coverage. Strong messages were conveyed by the "style" of the candidates, their slogans and the identifying symbols each party chose to aid illiterate voters. "Work and Let Work," Belaúnde's motto, was complemented by AP's emblem—a shovel, much like the trophy that, as President, he had awarded to communities with exemplary achievements under Popular Cooperation. "The architect," now 67, cultivated his image as a constructive senior statesman, a calm and caring "President for everybody."

APRA's subliminal signals were equally strong but largely counterproductive of its need to attract votes from outside the party. The slogan "Armando Has the *Fuerza* (Strength)" may have reminded the public of the party's recent dalliance with the armed forces (*fuerzas armadas*), while underscoring its reputation for political violence. Indeed, APRA was again accused of using its thugs ("buffaloes") against opposition parties, its leftist rivals in the labor movement and even against its own dissidents. Villanueva's aggressive oratorical style chilled many Peruvians, who desired peace after years of violent repression. APRA's electoral symbol, the distinctive star it had employed for a half century, may have inspired party unity. But it did not beckon to outsiders, who remembered APRA's historic intransigence and its messianic belief that it alone had the answer to Peru's problems. Attempts to show Villanueva as the heir of Haya de la

(Continued on page 85)

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¹⁰These are summarized in U.S. Foreign Broadcast Information Service, *FBIS Daily Report—Latin America*, vol. 6, no. 59 (March 25, 1980).

In El Salvador and Guatemala, "at the moment the odds would seem to favor continued polarization."

The Politics of Violence: Guatemala and El Salvador

BY RICHARD L. MILLETT

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OCTOBER 29, 1980, was a relatively typical day in El Salvador and Guatemala. Felix Antonio Ulloa, rector of El Salvador's National University, was mortally wounded in an assassination attempt. Forty-eight other Salvadorans, including eight members of a single family, a group of army reservists and two officials of the agrarian reform program, were killed. In neighboring Guatemala, only nine bodies were found that day. One was that of Irma Flaquer, a leading activist in Guatemala's human rights program. She had been kidnapped nearly two weeks earlier and her son had been murdered when he tried to prevent her abduction.¹ By late October, the dreary cacophony of violence emanating from Central America had become so common that this day's toll was almost totally ignored in the United States. Murder had become the expected means of political expression in El Salvador and Guatemala.

The current turmoil has its roots in a long history of political and social injustice in both nations. In El Salvador, between 10,000 and 20,000 peasants were massacred in 1932, following an unsuccessful Communist-backed uprising.² Uprisings in 1944 and 1961 took a lesser toll. Violence became endemic following the 1972 presidential elections, when the military, which had dominated politics for over 40 years, used blatant fraud to deny victory to the moderate Christian Democrats headed by Jose Napoleon Duarte. An abortive post-election revolt was quickly crushed and Duarte and many of his supporters were arrested or exiled.

Guatemalan history overall is at least equally violent. Since 1954, when the United States Central Intelligence Agency (CIA)-sponsored exile invasion overthrew the left-leaning regime of President Jacobo

Arbenz, political murder, urban terrorism and guerrilla movements have been almost constant features of Guatemala's political life. After an unsuccessful 1960 military uprising, some younger officers joined the guerrillas, making them a much greater threat. The conflict reached a peak between 1966 and 1970. During that period, radical insurgents fought dozens of battles with army units, kidnapped Guatemala's foreign minister and Supreme Court chief justice and murdered the United States and West German ambassadors.

Dramatic as some individual cases were, guerrilla violence pales into insignificance when compared with the institutionalized terrorism of the Guatemalan government and its allies on the right. Counterinsurgency efforts directed by Colonel Carlos Aranz Osorio killed between 3,000 and 8,000 people, mostly innocent peasants, in the Zacapa-Isabal region. Official campaigns against the insurgents were supplemented by the growth of private right-wing terrorist organizations, notably the Mano Blanco, Ojo por Ojo and the New Anti-Communist Organization (NOA).³ Although the guerrilla movement was effectively destroyed by 1970, official violence continued unabated for several more years, with Amnesty International estimating that up to 20,000 Guatemalans may have been killed between 1966 and 1976.

The causes of El Salvador's and Guatemala's past and present addiction to political violence are imbedded in each nation's social and economic systems. There are many common factors: strong, intransigent oligarchies determined to defend the status quo, military domination of politics, resentment over real and perceived foreign exploitation and, since July, 1979, the influence of the Sandinist victory in Nicaragua on both pro- and anti-government forces. But there are also important distinctive factors in each nation.

Perhaps El Salvador's most notable characteristic is its high population density, the highest in Latin America: over 4,500,000 inhabitants in an area of 8,236 square miles. While this is not extreme by West European or Japanese standards, El Salvador is basically an agricultural nation, with 60 percent of the population still living in rural areas. Furthermore, this population is distributed throughout the nation, not

¹*Diario de las Americas* (Miami), October 30, 1980, p. 6. Ulloa eventually died from his wounds.

²The best account of this episode is Thomas Anderson, *Matanza* (Lincoln: University of Nebraska, Nebraska, 1971).

³For details see Kenneth Johnson, "Guatemala: From Terrorism to Terror," *Conflict Studies*, vol. 23 (May, 1972), and John Booth, "A Guatemalan Nightmare: Levels of Political Violence, 1966-72," *Journal of Inter-American Studies and World Affairs*, vol. 22 (May, 1980), pp. 195-223.

concentrated in one area as is the case in much of Latin America. By the mid-1970's every one of the nation's 14 departments had a population density of over 250 inhabitants per square mile.

Population pressures have been aggravated by the concentration of land ownership and productive capacity in the hands of a few families. In 1973, the top 10 percent of landowners controlled 78 percent of the arable land, including almost all the best land, while the lowest 10 percent owned only 0.4 percent; and over 40 percent of rural families owned no land at all. While the top 5 percent of the population received 38 percent of the national income, nearly 60 percent of the population had to survive on under \$250 per capita per year.⁴ Even before the devastating violence of 1980, urban unemployment and underemployment were estimated at over 50 percent.⁵

Political trends have aggravated rather than ameliorated these statistics. Following the 1972 revolt, government security forces, along with conservative paramilitary groups like *ORDEN* and the White Warriors Union (UGB) attacked peasant and labor organizations, decimated the grass-roots organization of the Christian Democrats and, beginning in 1977, even murdered priests who were actively involved in social problems. As the democratic opposition withered under this assault, many of its supporters moved over to groups much further to the left. The largest of these was the Popular Revolutionary Bloc (BPR), which claimed nearly 100,000 members. Other coalitions of labor, peasant and student groups were the United Popular Action Front (FAPU) and the 28th of February Leagues (LP-28). All were dedicated to active confrontation with the ruling elites, using strikes, mass demonstrations and propa-

ganda to advance their causes. In addition, each was affiliated to some degree with a clandestine guerrilla organization. Before 1979, guerrillas concentrated their efforts on bombings, bank robberies and the kidnapping of public officials and prominent businessmen, which provided them with substantial funds to build up weapons stockpiles. By 1979, several hundred guerrillas were also reportedly gaining valuable combat experience by joining the anti-Somoza struggle in Nicaragua.

El Salvador's last chance for peaceful change may have been lost in 1977, when the oligarchy and the military again used massive fraud to deny the presidency to a moderate opposition figure. A mass protest in the capital's major square produced yet another massacre, when government forces shot hundreds of demonstrators. When El Salvador's Archbishop Oscar Arnulfo Romero denounced the repression, the terror and the attacks on elements of the Church, he was characterized as a Marxist, an instrument of Satan and a promoter of violence. Nineteen of his priests were expelled from the country and another 12 were imprisoned.⁶ When these measures and escalating repression in the countryside failed to silence government critics or end guerrilla activities, the regime of the newly installed military President, General Carlos Humberto Romero, became desperate. When United States President Jimmy Carter's administration urged respect for human rights, the regime cancelled its military agreement with the United States. It sought to silence its domestic critics by passing a "Law to Defend and Guarantee Public Order" in November, 1977. This law restricted public meetings, established press censorship, suspended individual rights and normal judicial procedures for those accused of disturbing public order, and outlawed strikes. The law also included a scarcely veiled threat against priests who criticized internal conditions and provided a three-year prison term for those who published internally or sent abroad any unfavorable news about the government, the economy or the society.⁷

All these efforts failed. Violence continued to escalate, capital flight intensified, and plots against the government began to multiply on both left and right. The Public Order Law was repealed in 1979, and the Romero government began to appeal for a dialogue with moderate opposition groups, promising free municipal and legislative elections. But the appeal was too late. On October 15, 1979, the government was overthrown by a group of young Army colonels who promptly installed a mixed civilian-military junta and promised basic reforms.

The new junta and its Cabinet included moderate officers, social-democratic politicians, conservative businessmen, even a leader of the Salvadoran Communist party. All recognized that the nation was on

⁴Mary Jeanne Reid Martz, *El Salvador: United States Interests and Policy Options* (Congressional Research Service Issue Brief IB80046, 1980), pp. 1-2. U.S. Army, *Area Handbook for El Salvador* (Washington, D.C., 1971), p. 37. A valuable study of the composition and holdings of El Salvador's ruling families is Eduardo Colindres, *Fundamentos economicos de la burguesia Salvadoreña* (San Salvador, 1977).

⁵Jerry L. Weaver, "The Development Process in Central America: Problems and Prospects," unpublished manuscript prepared for the 1979 State Department conference on Central America, p. 5. United States Agency for International Development, *El Salvador: Agricultural Development, Research, Education and Extension* (Capital Assistance Paper, 1977), pp. 19-27. Italo Lopez Vallecillos, "Reflexiones sobre la violencia en El Salvador," *Estudios Centroamericanos*, vol. 31 (January-February, 1976), pp. 13-14.

⁶For extensive documentation of the church-state conflict see United States Catholic Conference, *El Salvador I: Voices of the Church and El Salvador II: Archbishop Romero and the United States*, LADOC Keyhole Series, nos. 19 and 20 (Washington, D.C., 1980).

⁷Amnesty International, *El Salvador*, Amnesty International USA Campaign Booklet (New York, 1978), p. 4. William M. LeoGrande and Carla Anne Robbins, "Oligarchs and Officers: The Crisis in El Salvador," *Foreign Affairs*, vol. 58 (summer, 1980), p. 1090.

the brink of open civil war and that only rapid, basic reforms could avert what promised to be the most destructive conflict in Central American history. With strong backing from the United States, the new leaders pledged themselves to end official terrorism, promote agrarian reform and restore democracy. To demonstrate good faith, the junta retired a number of officers connected with previous atrocities and decreed the disbanding of *ORDEN*.

Unfortunately, neither the left nor the right was willing to give the new regime the time or the freedom to implement its promises. Demonstrations, strikes and demands for an immediate accounting of the fate of hundreds of Salvadorans who had disappeared after their abduction by security forces kept the government on the defensive. The most militant sectors of the opposition denounced the coup as a United States plot and began to undermine its support.

Equally serious was conservative opposition to any accommodation with the left. This opposition existed inside the government and among large landowners and the urban upper class. The junta was unable to control the security forces, including the Army, a militarized rural police known as the National Guard, the National Police, and the Treasury Police. The worst abuses were traditionally associated with these police units, notably the National Guard.

While the junta tried to portray itself as a moderate force, caught between extremist violence from both left and right, its continued dependence upon the armed forces kept this image from gaining much credibility. Government and right-wing violence were often synonymous.

On January 3, 1980, the first junta collapsed when its civilian members resigned. The two representatives of the moderate left in the junta charged that "reactionary forces" within the government had made it impossible to eliminate repression, to forge ties with the mass-based movements on the left or to institute meaningful reforms.

The resulting vacancies in the junta were quickly filled by two Christian Democrats and a politically independent physician. The Cabinet was reorganized, and several Christian Democrats were included in the new administration. Again the changes failed to please either the left or right, and even the military showed signs of open division.

Firmly committed to maintaining at least the illusion of a moderate option in El Salvador, the United States frantically sought to shore up the new junta,

and Deputy Assistant Secretary of State James Cheek was rushed to San Salvador. Using a combination of promises of economic and military aid and threats of a total cut-off of support if the regime fell, he managed narrowly to avert a planned coup by the extreme right in February but could not keep the regime's supporters from continuing to assassinate suspected leftists, including Christian Democratic party leader Mario Zamorra. This atrocity precipitated a split in that party, and junta member Hector Dada resigned first from the junta and then from the party.⁸

With the situation clearly desperate, the government's conservative supporters finally acquiesced. A major agrarian reform law was proclaimed, affecting over one-fourth of the nation's land but leaving untouched holdings under 1,200 hectares, a category which included most coffee plantations. Banks were also nationalized, an action whose impact was weakened by the fact that Salvador's failing economy had brought the banking system near collapse. Finally, the Christian Democrats' most popular leader, Jose Napoleon Duarte, replaced Dada in the junta.

Any hope that these changes might effectively increase the junta's credibility and reduce the violence was shattered on March 24 when Archbishop Romero was murdered while celebrating mass. After January, 1980, Romero had become increasingly critical of the government; in February he had warned President Jimmy Carter not to send military assistance to El Salvador. In his last homily, he openly appealed to members of the security forces not to obey orders to fire on Salvadoran civilians. The following day he was gunned down, presumably by right-wing assassins, and a few days later his funeral became the scene of yet another massacre.⁹

Many observers thought this tragedy would signal the demise of the junta. On March 26, three leading Christian Democrats resigned from the government and fled the country. Many dissident Christian Democrats openly joined the Frente Democratico Revolucionario, an umbrella organization of opposition on the left already supported by former junta members Guillermo Ungo and Hector Dada. The various guerrilla groups also announced the formation of a united command and intensified their efforts to topple the regime. A series of strikes and embassy seizures further weakened the economy and led most nations to withdraw their diplomatic personnel. Yet, somehow, the junta survived.

It survived, first of all, because of continued United States support. State Department efforts helped prevent another coup from the right in May. (This led to an abortive rightist attack on the American Embassy.) Reprogrammed economic and military aid totaling nearly \$90 million began to flow to the government. Since continuation of this assistance was conditioned on the junta's survival, military and business com-

⁸Thomas P. Anderson, "Polarization and Political Violence in El Salvador," unpublished manuscript presented at the October, 1980, meeting of the Latin American Studies Association, Bloomington, Indiana.

⁹Translations of the Archbishop's letter to President Carter and his last homily, together with an account of his funeral, are contained in United States Catholic Conference, *El Salvador II*.

munity support for any rightist coup was reduced.

The junta also survived because the radical opposition lacked the power to overthrow it, despite repeated efforts. This became evident during the partial failure of a three-day general strike in August. Frustrated by the refusal of most of the business community to support the strike and by the success of government efforts to limit its effects, the left also turned to terrorism. But this only produced a warning by the acting Archbishop that such tactics would lead to a loss of popular support. An effort to cripple the government by shutting down electric power plants was also unsuccessful. Union leaders were arrested, and the employees were conscripted into the army under an emergency decree. Army attacks also kept rural guerrilla forces off balance. Months of terror and murder finally reduced open support for the left, and its ability to muster public demonstrations was evidently in decline. This was not too surprising; according to Catholic Church sources, security forces and rightist paramilitary groups had killed 5,303 people between January 1 and September 30, 1980, and 211 others had simply disappeared.¹⁰

The junta also survived because many business leaders recognized that at least an appearance of reform was necessary. Their toleration was further encouraged by the junta's steady drift to the right, a trend accompanied by a decline in the influence of reform-minded Colonel Adolfo Majano, who was ousted from the junta in December, 1980.

The Republican victory in the November, 1980, United States elections revived the right's hopes that it could retain control without jeopardizing American aid. Thus in rapid succession paramilitary groups, probably supported by elements in the government's security forces, kidnapped and murdered the top leaders of the FDR and then murdered four American women, including three nuns.

Because of the escalating violence, once again the junta's control began to weaken. American pressure for an investigation of the murders, Duarte's appointment as President on December 15, and the resumption of United States economic aid might, nonetheless, prolong its life.

For El Salvador, 1980 was a tragic year and 1981 seems to offer little hope for an end to fratricidal conflict in that tiny nation.

GUATEMALA

Prospects for 1981 in Guatemala appear on the surface to be brighter. Although their numbers de-

¹⁰Report of the San Salvador Archdiocese Legal Aid Office," translated and distributed by the Washington Office on Latin America.

¹¹Inter-American Development Bank, *Economic and Social Progress in Latin America, 1979 Report* (Washington, D.C., 1980), pp. 258, 452, and 455.

¹²Weaver, *op. cit.*, p. 7.

clined sharply in 1980, tourists still visit this "land of eternal spring." Guatemala's nearly 7 million citizens live in an area over five times as large as El Salvador. Although population pressures are extreme in some highland areas, there is still undeveloped and underutilized land.

There are also encouraging economic signs. The gross domestic product has grown by an annual per capita average of 2.8 percent since 1960, reaching \$1,022 per capita in 1979. On a per capita basis, Guatemala's external debt was by far the lowest in Central America and the second lowest in Latin America. Petroleum production, begun in 1978, and expanded nickel mining helped boost future economic projections.¹¹

There is, however, another less encouraging side of Guatemalan reality. The benefits of Guatemalan society are as poorly distributed as anywhere in the hemisphere. As late as 1975, the average income for a rural Guatemalan was estimated at only \$89. Land distribution compounds this situation; 26 percent of the rural population owns no land and 90 percent lives on plots too small to provide a minimal living standard.¹²

Social conditions reflect economic realities. Over half the adult population is illiterate—the second highest illiteracy rate in the Western hemisphere. Infant mortality is 8.3 percent. Many other leading causes of death are either directly related to widespread malnutrition or would be preventable or curable if adequate medical care were available. Housing conditions are appalling, a problem compounded in urban areas by the effects of the 1976 earthquake.

At the heart of Guatemala's social problems are the continued exploitation and marginalization of the Indians. Speaking a variety of languages and concentrated in highland areas, Indians make up approximately half the total population. Traditionally, Guatemala's rulers have viewed the Indians with a mixture of contempt and anxiety, seeing them as inferior and destined to labor for the upper classes but fearful of the consequences should they seek active involvement in the political process. At the same time, many Guatemalans recognize that unless real improvements are made in Indian conditions, the potential appeal to them of guerrilla movements will increase steadily. However, no government has yet been willing to confront the Indian issue, and without confronting that issue efforts at dealing with the nation's massive social problems have virtually no chance of success.

The violence always present in modern Guatemalan politics rose again with the 1974 installation of General Kjell Laugerud Garcia as President, following a notably fraudulent election. It began with a renewed escalation of official and private attacks on

suspected leftists. In response, a new guerrilla force, the Poor Peoples Army (EGP) began operations in late 1975. Despite energetic counterinsurgency efforts by the Laugerud government, this force survived and even grew slowly. Although it was concerned about this renewal of activity on the left, the Guatemalan government felt secure enough to join its Salvadoran counterpart in abrogating the military assistance agreement with the United States in 1977 as a protest against the human rights pressures of the Carter administration.

In the summer of 1977, a new organization, the Secret Anti-Communist Army (ESA), emerged as the prime instrument of anti-left terrorism. The ESA began to publish advance lists of potential victims, lists which usually included university professors, teachers, student leaders, labor organizers and Social Democratic and Christian Democratic political leaders. Although the government always denied charges that it supported the ESA, no one has ever been arrested for the hundreds of murders committed by this organization.¹³

The record of repression under the Laugerud administration culminated in the May, 1978, massacre of an estimated 100 protesting Indians in the town of Panzos. There was some hope that conditions would improve with the inauguration of his successor, General Romeo Lucas Garcia, in July. Vice President Francisco Villagran Kramer, a member of the moderate Revolutionary party (PR) expressed hope that a national dialogue and reconciliation could begin under the new regime. But such hopes were quickly dashed. In the second half of 1978, there were 35 percent more political murders than there were in the first six months of 1978.¹⁴ The rate has continued to climb. By November, 1980, the Washington-based Council on Hemispheric Affairs estimated that since Lucas had taken office well over 5,000 Guatemalans had lost their lives in political violence.

Assassinations of Social Democratic (PSD), United Revolutionary Front (FUR) and Christian Democratic leaders continued. In the case of the FUR, the losses were so severe that it proved nearly impossible to organize a recognized leadership at the March, 1980, party convention. General Lucas's only response to these killings was to declare that violence was "an allergy one must learn to live with."

The right was by no means alone in murder.

¹³Elias Barahona, former information director for Guatemala's Interior Ministry and for years a secret EGP agent claimed, in a September 4, 1980, interview published in *La Republica* (Panama) that the government not only tolerated right-wing activities, it directed them.

¹⁴Donald T. Fox, *Human Rights in Guatemala: Report of a Mission to Guatemala in June, 1979, on behalf of the International Commission of Jurists* (Geneva, Switzerland, 1979), p. 13.

¹⁵"Comunicado de la Diocesis del Quiche," March 4, 1980, mimeographed pastoral letter by the Bishop of El Quiche.

Guerrilla groups responded by eliminating government officials, notably the Army Chief of Staff, Major General David Cancinos. But the majority of killings were attributed to pro-government forces.

Despite continuing massive human rights violations, the United States, alarmed by events in Nicaragua and El Salvador, was showing some interest at the start of 1980 in renewing military ties with Guatemala. This interest largely evaporated following the January 31 massacre at the Spanish Embassy. A mixed group of Indians and EGP radicals had occupied the building. Ignoring the Spanish Ambassador's protests, Guatemalan police stormed the building. In the ensuing confusion, most of the rebels and their hostages, including a former Vice President and a former foreign minister of Guatemala, lost their lives. Spain broke diplomatic relations; and the United States stepped up pressure for improvements in the area of human rights; but the response from the Lucas administration was more repression.

The Indians were especially hard hit. Discontent had long been growing in their communities as the steady expansion of export agriculture led the upper classes and government officials to seize more and more of their lands. As violence increased so did the government's habit of seizing young Indian males and conscripting them into the army. Right-wing paramilitary groups, like the ESA, began to murder Indian leaders and potential dissidents with virtual impunity.

In March, 1980, an army massacre of protesting Indian women in the town of Nebaj produced a bitter confrontation between the government and the Bishop of El Quiche, who denounced the army's action in uncompromising terms.¹⁵ The right responded by denouncing "pro-Communist" elements in the clergy. In the following weeks, priests were threatened and even assassinated and the bishop retaliated by ordering all priests out of the diocese. The Indians responded in an even more direct manner. For the first time, significant numbers began to join the guerrillas.

Relations between the United States and Guatemala also deteriorated steadily during 1980. In April, Assistant Secretary of State William Bowdler declared that Guatemala's failure to provide needed political, social and economic reforms was responsible for "the high incidence of violence that threatens to polarize and radicalize Guatemalan society." Two months later, United States Ambassador Frank Ortiz, expressing his fears of escalating right-wing violence, described Guatemala as "a bloodbath waiting to happen."¹⁶

(Continued on page 88)

Richard L. Millett is the author of "Guardians of the Dynasty," *Orbis*, 1977, "Central American Paralysis," *Foreign Policy*, June, 1980, and coeditor of *The Restless Caribbean* (New York: Praeger, 1979).

In Bolivia, "the . . . military regime has displayed new motives for intervention and brutal new efficiency in holding power. It may well be that Bolivia is joining the Southern Cone, the trio of regimes in Argentina, Chile and Uruguay that base their rule primarily on official or tolerated terror."

The New Authoritarianism in Bolivia

BY CHRISTOPHER MITCHELL

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WALTER Guevara Arze has spent a lifetime in the highly unstable world of Bolivian politics. Since he entered public life in the mid-1930's, Guevara has served as foreign minister, police minister, parliamentary deputy, senator, party chief, ambassador to the United Nations and interim President. Drawing on this extensive experience, in late 1979 Guevara was convinced that the Bolivian military would continue indefinitely as the major decisive force in his nation's politics. The former President (himself ousted by an army movement after only 83 days in office in 1979) saw no strong or unified civilian political force on the horizon, and perceived many military motives for continued intervention.¹

The events of 1980 have more than borne out Guevara's forebodings. Interim civilian President Lidia Gueiler, who followed Guevara in the presidential palace, succeeded in holding open elections on June 29. But when it became clear that Hernán Siles Zuazo, leader of a left-wing coalition, had won a large plurality, the armed forces took over on July 17, establishing a junta headed by General Luís García Meza of the cavalry.

The subsequent military regime has displayed new motives for intervention and brutal new efficiency in holding power. It may well be that Bolivia is joining the Southern Cone, the trio of regimes in Argentina,

¹Walter Guevara Arze, lecture jointly sponsored by New York University and Columbia University, New York City, December, 1979.

²Figures from World Bank, *Informe sobre el desarrollo mundial, 1980* (Washington, D.C.: August, 1980), pp. 132-133. Basic background on Bolivian society and recent politics can be found in: James M. Malloy, *Bolivia: The Uncompleted Revolution* (Pittsburgh: University of Pittsburgh Press, 1970); James M. Malloy and Richard Thorn, eds., *Beyond the Revolution: Bolivia Since 1952* (Pittsburgh: University of Pittsburgh Press, 1971); Fredrick B. Pike, *The United States and the Andean Republics* (Cambridge: Harvard University Press, 1977); Christopher Mitchell, *The Legacy of Populism in Bolivia: From the MNR to Military Rule* (New York: Praeger, 1977). An excellent recent study of the crucial mineworkers' sector is June Nash, *We Eat the Mines and the Mines Eat Us* (New York: Columbia University Press, 1980).

³Ray Bonner, "Bolivia Becomes a Battleground," *Los Angeles Times*, August 31, 1980.

Chile and Uruguay that base their rule primarily on official or tolerated terror. Events in Bolivia may indicate democracy's current prospects in small, isolated, economically dependent Latin American societies.

At first glance, one more military takeover in Bolivia seems merely routine, the continuation of a pattern begun (in recent times) in 1964, when a civilian reformist government headed by Victor Paz Estenssoro of the Nationalist Revolutionary Movement (MNR) lost control of national politics and administration. The MNR government faced Bolivia's poverty (still only \$510 per capita gross national product in 1978, the lowest in Hispanic America), regionalism, conflicting class interests, and dependence on raw material exports. (Sales of manufactures accounted for only three percent of exports in 1978.²) The Paz government proved unable to deliver promised prosperity and social justice and was forced from office by the military high command in November, 1964.

Subsequently Bolivian interest groups (though still politically active and volatile) had no central coalition or organizational focus. This left the army to exercise power—through five coups and four General-Presidents—between 1964 and 1978. The most durable military chief executive was General Hugo Banzer Suárez, who ruled from 1971 to 1978.

In early 1977, a new element was added: the strong United States desire for popular elections in Bolivia. "Mr. Carter didn't send me a letter ordering elections," Banzer later recalled, "but we could feel the pressure."³ This United States policy produced elections—but the voting results led to a frustrating series of military veto-coups aimed at blocking civilian rule. The 1978 elections were annulled and were followed by a coup by General Juan Pereda Asbun, who had been groomed to succeed Banzer. Pereda, in turn, was overthrown in late 1978 by General David Padilla, who called for and presided over new elections, held in July, 1979.

No clear victor emerged, and Congress (constitutionally charged with choosing a winner) elected Guevara as interim President. After less than three

months in office, Guevara was forced out by Colonel Alberto Natusch Busch, who was so violent and inept that civilian resistance toppled him in only two weeks. Interim President Gueiler, Bolivia's first female chief executive, was Congress's new choice, and her pro-election policy and overthrow followed in predictable order.

The military's prime motive in most takeovers before 1980 was to limit the power of what were viewed as radical civilian forces, especially organized labor and left-wing political parties. The armed forces favored keeping power in the hands of urban middle class and professional groups, and backed a conservative economic strategy akin to state capitalism. The competing parties and unions, for their part, sought to win a plurality high enough to force the soldiers back to the barracks. Only in 1980 did one candidate—Siles, who also served as President in 1956-1960—score a convincing electoral victory, outpolling his closest rival by nearly two-to-one. His success reflected extensive mass desire for democracy, but it had the precise opposite effect on the armed forces.

NEW MOTIVES

In a break with the past, General García Meza's coup signaled major new motives for military intervention in Bolivia. The new regime's rhetoric, to be sure, invoked traditional anti-radicalism. The new President himself made a grim promise: "I will stay as long as I have to, to eliminate the Marxist cancer, be it 5 years, 10 or 20."⁴

But the new rulers seemed at least equally interested in securing illicit personal gain—and in avoiding punishment for past corruption. A few weeks after the coup, United States Senator Dennis DeConcini (D., Ariz.) released extensive evidence linking García Meza and his supporters to the fabulously profitable illegal cocaine traffic flowing out of Bolivia. (Much of this information had apparently been leaked to the Senator by the United States State Department.) DeConcini charged that high-ranking members of the new regime—including Police Minister Colonel Luís Arce Gomez and Education Minister Colonel Ariel Coca—were large-scale drug smugglers, and that García Meza himself had profited from the trade through middlemen.⁵ These officers, the Senator stated, had often used military personnel and equip-

⁴Warren Hoge, "Bolivian Leader Meets Resistance in Army," *The New York Times*, August 4, 1980, p. A3.

⁵"Drug Allegations Dent Junta's Political Image," *Latin America Weekly Report*, August 22, 1980, p. 2.

⁶"Cocaine: The Military Connection," *Latin America Regional Reports*, August 29, 1980, p. 5.

⁷See the "exile" edition of *Aquí*, published in New York City in November, 1980, p. 2, for the text of *Aquí's* editorial following Espinal's murder.

⁸"Tension Mounts as Right Steps Up Terror Campaign," *Latin America Weekly Report*, June 6, 1980, pp. 2-3.

ment to move large drug shipments to Argentina, to Brazil and, especially, to Colombia, for further processing and sale in the United States.

DRUG TRAFFICKING

For each officer involved, the cocaine trade may simply be a very profitable sideline. But from a national perspective, drug trafficking has become a major Bolivian industry, whose proprietors are willing to pay well for political protection. Estimates of the total value of Bolivian cocaine shipments abroad range from \$600 million to \$1 billion annually; either figure would make this clandestine commodity Bolivia's leading export. Drug traffickers are reliably reported to have helped finance García Meza's coup and to have provided a \$100-million loan to tide the new government over initial economic obstacles. In the month that followed the coup, the new government evidently reciprocated by permitting a doubling in cocaine exports; as one United States narcotics official observed, "for the first time ever the drugs mafia has evidently bought itself a government."⁶

It is likely that just before the coup, the lure of major new profits was reinforced in the minds of some officers by the fear that existing criminal ties would be revealed. Since early 1979, many officers had been unsettled by the criticisms and exposés published by the new radical news magazine *Aquí*; in March, 1980, its editor, Luis Espinal (a Jesuit priest), was shot and killed on his way home alone. *Aquí's* remaining editors reacted with defiance:

We will stay on the streets. We will keep on denouncing criminals. We will demand justice until we achieve it.⁷

Espinal's funeral, attended by an unprecedented 70,000 mourners, became a mass protest against military-backed terror. Two months later, officers were deeply perturbed by the implications of a move by Bolivia's Congress to cite General Banzer for treason, corruption and violations of human rights. García Meza then warned that

those responsible for bringing these charges against the former President will themselves be tried by military tribunals.⁸

During its takeover and in the following months, the García Meza government has also proved to be more violently repressive—and more organized in its use of force—than any previous Bolivian regime. Outside La Paz, a familiar pattern was repeated with new savagery: defiant anti-military mining camps were besieged, attacked and subdued by army detachments, sometimes cooperating closely with low-flying Air Force units. Fighting was especially fierce in the southern highland areas between the cities of Oruro and Potosí; in one bombing attack on the camp at Huanuni, at least 20 women and children were killed, and 300 people were wounded.

Against its many adversaries among Bolivia's urban

political leaders, the new junta mobilized repression reminiscent of General Augusto Pinochet's ruthless takeover in Chile in 1973.* At least 2,000 opponents were arrested, apparently following systematic lists; arrests were often made by unidentified armed men, taking prisoners away in ambulances; torture, especially at army headquarters in La Paz, was frequently reported. There is no reliable estimate of those killed or "missing," but there have been at least several hundred deaths.

Major democratic and radical politicians were especially high on the junta's lists. During the first hours of the coup, an emergency meeting at the headquarters of Bolivia's major labor confederation (COB) was attacked by troops, and Socialist party leader Marcelo Quiroga Santa Cruz was killed. (Quiroga was clearly Bolivia's most promising younger politician, presenting a special threat to a new military regime.) The nation's preeminent union leader, Juan Lechin Oquendo, was also arrested and was not released until mid-November; deposed President Gueiler was forced to take political asylum at the Papal embassy.**

García Meza's "Government of National Reconstruction" also tangled openly with two institutions that earlier governments had been reluctant to antagonize: the international press and the Catholic Church. In the weeks just after the coup, scores of reporters were imprisoned; and most reporters had great difficulty in filing stories from La Paz. The very capable Bolivian bureau chief of Associated Press, Harold Olmos, was exiled; Reuters bureau chief René Villegas was ordered arrested; the Bolivian correspondent for *Latin American Newsletters* of London was forced into hiding. The British *Financial Times* had to retract a story on official links to cocaine smuggling in order to get its author/correspondent out of jail in La Paz.⁹

The Bolivian Catholic Church, traditionally a politically cautious institution, was stung into bitter protest.¹⁰

During recent weeks we have learned with sadness of

*Indeed General García Meza was injudicious enough to say publicly that he modeled his own conduct and government on those of Pinochet—indicating how, for at least the most powerful segment of the Bolivian military, the imperatives of repression have overcome traditional Bolivian dislike of all Chilean regimes.

**Hernán Siles Zuazo evaded the police dragnet and was able to remain in Bolivia for more than two months and form a clandestine "government of national unity." In mid-September, Siles secretly left Bolivia to lobby internationally against García Meza.

⁹Warren Hoge, "Bolivian Rivals, One in Hiding, Assert Right to Lead," *The New York Times*, August 7, 1980, p. A6.

¹⁰Bolivian bishops' statement, "Dignity and Liberty," adopted in Cochabamba, September 8, 1980; translated and distributed by New York branch of CONADE—the Bolivian National Council for the Defense of Democracy.

¹¹Bonner, *op. cit.*

violent deaths of civilians, imprisonment with physical and psychological torture, searches and robbery, destruction of radio broadcasting stations and other property, persecution of and threats to innocent persons, mass firing of workers. . . .

Many priests and women religious were arrested, some tortured even after they were freed and almost all of them subjected to humiliating treatment. Some 30 convents were searched, many were sacked, and a good number of priests and nuns had to go into hiding because of threats. . . .

If these and other acts . . . are reprehensible, the absence of legal recourse against such assaults is more deplorable. The suspension of constitutional guarantees and the dissolution of intermediate organizations between people and the government leave citizens helpless when their rights are violated.

From the time that the coup's systematic repression became clear, many observers doubted that the Bolivian armed forces were mounting such an operation unaided. In fact, it quickly became clear that the Argentine government headed by General Jorge Rafael Videla had given extensive aid and advice to García Meza. *The Los Angeles Times* reported that computerized lists of Bolivian dissidents were prepared in Buenos Aires and that more than 200 Argentine military personnel were sent to Bolivia to assist the coup.¹¹ General Videla praised the Bolivian takeover as preventing "a situation in the heartland of South America that would amount to what Cuba represents in Central America," and Argentina provided an initial emergency loan of \$200 million.

The junta's need for outside assistance is a strong indirect indication of one of its two major domestic problems: its lack of substantial social support. In the tense months preceding the coup, virtually every social and political institution—universities, unions, parties, peasant groups, churches—had declared themselves in favor of the democratic process that almost brought Siles Zuazo to the presidency. Since he came to power, García Meza and his military backers have been unable to recruit much civilian backing even from groups that potentially share common interests with the extreme-right military. The conservative business groups based in the southeastern city of Santa Cruz, for example, have not indicated support for the junta. Ex-President Banzer, himself a very conservative retired officer who is considered a regional caudillo in Santa Cruz, negotiated gingerly with García Meza from his exile in Argentina, but never threw the symbolic support of his Acción Democrática Nacional party behind the fledgling government.

As September and October wore on, García Meza began making more frequent trips to the countryside, where past military governments have found peasant backing. But his message on these trips was a warning of coming hard economic times, not a promise of continued reform and rural development, which

might have won the support of rural labor unions. The only active support given to García Meza outside the military has come from Bolivian banks, which have a key economic interest in reopening Bolivia's normal international economic links.

The natural concomitant of this social isolation is the recurrent threat of division in the armed forces. García Meza's group represents only one segment of a fragmented officer corps—far more fragmented, for example, than the more institutionalized Argentine or Brazilian military structures. During July and August, 1980, the new President had difficulty enforcing orders to army units stationed in Bolivia's three largest cities—La Paz, Santa Cruz and Cochabamba—and several key unit commanders had to be replaced. Ideology probably played only a small role in these challenges to the central power; it is not clear that the dissident officers would favor democracy any more than García Meza does. But his hold on power is very vulnerable as long as force alone sustains it.

THE ECONOMY

The junta's second major problem is the nation's near-calamitous economic situation. The economy, still heavily dependent on mineral exports for its international earnings, is fragile. Before the coup, tin prices had been relatively low, but production was on the upswing. Since mid-July, in large part because of the fighting in mining regions, production has fallen fully 40 percent below the same period in 1979. Bolivian oil production has recently been so low that exports are not possible, and Argentina has balked repeatedly at the doubling of the price of the Bolivian natural gas it purchases.

Out of its meager hard-currency income Bolivia was scheduled to spend 60 percent in 1980 to repay loans made from abroad to previous governments, most of them military. There were no funds available for these payments, and shortly after taking office the García Meza government approached the private multinational banks to which it owed money, asking that the debt be postponed. A minimal "rescheduling" of \$172 million in debt was granted, until early January, 1981. It is obvious that García Meza will need a more comprehensive stretch-out of Bolivia's external debts (totaling almost \$3 billion).

But as of late 1980, the private banks were looking to the International Monetary Fund for a clue as to whether to offer what are in effect extensive new loans to La Paz. The IMF, in turn, will probably be influenced in part by the policies of the United States, which has participated in a "donor's boycott" of Bolivia since mid-July, 1980. Along with the European Economic Community, Venezuela, and other aid-givers, the United States has suspended the flow of new aid funds, used in the past to help meet debt repayment schedules.

During the past three years, the IMF has often played a crucial role in Bolivia's international economic position—and its demands on the García Meza government are predictable and painful. The IMF staff (at least before the United States presidential election) was likely to require García Meza to cut the public budget, to remove price controls on key consumer items and very probably to devalue the peso from its current level of 25 to the dollar. When President Gueiler faced similar requirements in 1979 and complied with many of them, she touched off a nationwide wave of protest, highlighted by peasants' road blockages and a protest march—40,000 strong—in the capital. A harsh military government could perhaps avoid some of these forms of mass protest, but social discontent would certainly build, and it might well encourage dissident military officers to move against the President.

Despite these obstacles, three important factors are currently working in favor of the García Meza government and will reinforce the likelihood of authoritarian military rule in Bolivia in the near future even if the current regime collapses. First, the democratic opposition is relatively weak and must operate almost exclusively outside Bolivia. Its key rallying point is Siles Zuazo, a skilled politician with almost 50 years of experience in adapting to the changing conditions of Bolivian politics. But after 15 years of military rule, Siles's supporting coalition of Bolivian political parties has only limited rank-and-file support within the country; past quarrels have made most civilian politicians highly suspicious of one another.

The opposition's major hope for toppling García Meza would thus rest not on a highly organized plot against his rule, but on the sort of mass civilian resistance that undid Colonel Natusch in 1979. Yet a second factor comes into play: time seems to be on the side of the kind of repression used by García Meza. By systematically killing its opponents, torturing them or sending them to jungle concentration camps, the junta has produced a climate of terror that blocks or discourages any opposition. This trend duplicates the dictatorial pattern displayed in the Southern Cone countries since the early 1970's: highly organized violence can enable even the most unpopular regimes to retain power. To be sure, Bolivia—poorly integrated, physically fragmented and with dozens of unpatrolled border crossings—is harder to dominate

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"In mid-November, the fragile modus vivendi between the privileged classes and the revolutionary system in Nicaragua appeared to be breaking down." This author notes that "it was not at all certain that the FSLN's unusual attempt to maintain a pluralist, multi-class approach to revolutionary change could be sustained."

Nicaragua Consolidates Its Revolution

BY THOMAS W. WALKER

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THE changing moods of Nicaragua from mid-1979 to late 1980 are the stuff of which novels are written. First came the intense euphoria occasioned by the overthrow of the dictatorship of Anastasio Somoza Debayle on July 19, 1979. Led by the Sandinist Front of National Liberation (FSLN), people of all types and classes had contributed to the final victory and were justifiably proud. Within a few months, however, class tensions inevitably began to mount as the former "haves"—a minority of about 20 percent of the population—were asked by the new revolutionary government to make real sacrifices in behalf of the "have-nots." Yet by mid-1980 the mood shifted again, and class tensions began to diminish as the very real achievements of the new government became apparent even to many members of the privileged minority.

Before long, however, this more positive feeling was reversed by a chilling sense of apprehension as Nicaraguans saw what they viewed as a relatively benign administration in Washington roundly defeated by a conservative presidential candidate who had been outspokenly hostile to their experiment in nationalist social revolution. Rightly or wrongly, the specter of United States-sponsored "destabilization" (*a la Chile*, 1973)¹ or military intervention (*a la Guatemala*, 1954; *Cuba*, 1961; or the *Dominican Republic*, 1965) began to loom as an ugly and depressing possibility in the minds of many Nicaraguans, regardless of class.

In spite of these psychological ups and downs, the country's new leaders worked efficiently and with considerable success to consolidate the revolutionary system and implement many of the social, economic and political promises made during the 18-month "war of liberation." The first task of the new government had been to create a humane system of law and order. Before the FSLN victory, outsiders, particular-

ly Americans, feared that if Somoza's National Guard were defeated and the guerrillas came to power, there would be chaos, maybe even a bloodbath. In fact, however, in the wake of Somoza's overthrow there were remarkably few summary executions and there was nothing which could be described as "chaos."

The government manifested its respect for human rights by signing the Inter-American Declaration on Human Rights and inviting the Inter-American Human Rights commission to visit Nicaragua to observe its performance firsthand. In addition, a procedure was set up for the individual investigation and trial of the approximately 7,000 National Guardsmen and Somoza cohorts who had been taken prisoner in 1979; the maximum allowable sentence for those found guilty was 30 years.

Freedom of the press was also respected, within fairly broad limits. The government retained a monopoly over television broadcasting, but independent radio stations and daily newspapers frequently criticized the government. An ultra-left Maoist paper called *El Pueblo* was shut down for having incited activities that tended to sabotage the government's effort at economic recovery; but the conservative daily *La Prensa* was allowed to engage in a continuous diatribe against the government.

Opposition political parties and interest organizations also went about their business in relative freedom. The former privileged classes expressed their interest politically through the Social Democratic party, the Nicaraguan Democratic Movement, the Social Christian party, and the Conservative Democratic party. They also rallied around the Superior Council of Private Enterprise (COSEP). Working-class people not wishing to join Sandinist mass organizations were free to join, or remain as members of, several small pre-revolutionary labor unions. The government, for its part, not only tolerated these organizations but even gave them minority representation in the national legislative body, the Council of State.

Although the FSLN allowed and indeed encouraged some civil and political liberties, it also moved effectively to consolidate the revolution politi-

¹For ample documentation of the successful U.S. effort to destabilize Chile, see United States Senate, Staff Report of the Select Committee to Study Governmental Operations with Respect to United States Intelligence, *Covert Action in Chile* (Washington, D.C.: U.S. Government Printing Office, December 18, 1975).

cally. The formal institutions of government gradually emerged. Before the final victory, the front had named a broadly based provisional junta, which became the Governing Junta of National Reconstruction after July 19. Made up of five individuals of diverse social and political backgrounds, this body retained its multiclass, pluralistic character even though two members resigned and had to be replaced in April, 1970.² In May, the Council of State was established, with a similar pluralistic and multiclass composition. Though the FSLN and associated "popular organizations" held a majority of 47 seats, opposition parties and interest groups received a substantial number of positions; indeed, in light of the fact that they spoke for the social and economic interests of only about one-fifth of the population, they were adequately, if not over, represented. Formally, the junta and the Council set government policy, which was then implemented through various ministries, headed by individuals from a variety of political and social backgrounds.

This remarkably pluralistic revolutionary government was held together and given direction by the fact that it derived its powers from and was ultimately responsible to the nine-man directorate of the Sandinist Front of National Liberation. Government officials were not simple puppets, as many critics charged. On the contrary, the specific character of public policy under the new system was largely the result of day-to-day efforts of the junta, the Council and the ministries. But as they made their decisions, government officials were fully aware that they had a responsibility and a mandate to govern in accordance with the broad revolutionary objectives of the FSLN.

The front owed its commanding position to several factors. In the first place, in their own words, the Sandinistas were "the vanguard of the revolution." Since its founding in 1961, the front had insisted that the Somozas and their corrupt system could only be overthrown by armed insurrection. The ultimate success of its revolutionary strategy not only vindicated the FSLN but greatly discredited those groups often described as the "legitimate opposition" by individuals in the United States State Department. In addition, the popular mobilization during the insurrection and the total defeat of Somoza's National Guard gave the front a mass base and a monopoly of the armed forces of the country.

Throughout most of the war, the guerrilla army had been relatively small, numbering only a few hundred during the insurrections of September, 1978, and a

²The two individuals who resigned were the aristocratic Violeta de Chamorro and businessman Alfonso Robelo. While Chamorro's departure was based on personal and health reasons, Robelo's was a political protest against the direction of the revolution. Both individuals were replaced by persons of similar socioeconomic status, Arturo Cruz and Rafael Córdoba Rivas.

few thousand as late as May, 1979, when the final offensive was announced. However, at the time of the victory in late July, the army grew precipitously; as many thousands of urban insurgents "joined" the FSLN army by simply "liberating" weapons and uniforms from the thousands of surrendering guardsmen. This influx of raw, untrained soldiers was both a blessing and a problem. It allowed the new government to provide police and emergency services. On the other hand, whereas most of the veteran members of the FSLN army had been trained not only in military skills but also in the role of the new armed forces and the social mission of the revolution, the recent volunteers had not. In the first year after the war, therefore, emphasis was placed on weeding out undisciplined riffraff and training the rest to be politically and socially conscious.

In 1979 and 1980, the rebel army and urban militias were transformed quickly into an official armed force composed of three major branches: the Sandinist Popular Army (EPS), consisting of around 20,000 troops; the Sandinist Police (PS), a few thousand lightly armed peace officers who worked primarily in the urban areas; and the Sandinist Popular Militias (MPS), a lightly armed volunteer force of around 100,000 civilians, who could be called into service in the event of a military emergency. Each of these explicitly *sandinista* armed institutions were directly controlled by the nine-person Sandinist directorate.

Another component of Sandinist strength was its direct involvement with hundreds of thousands of common citizens through various FSLN "popular organizations," which the Sandinists had helped found in the last years of the Somoza dictatorship and had reorganized and expanded after the liberation. Nicaragua's insurrectionary experience was unique in the history of Latin America. Not even in Cuba in the final struggle against the Batista dictatorship had such a large percentage of the citizenry been mobilized.

A major factor in the front's success in toppling Somoza was its ability to appeal to and organize the masses. From the mid-1970's on, laborers had been mobilized by the FSLN in their workplaces through "Revolutionary Workers Committees," and "The Movement of Working People." As early as 1976, the FSLN and Catholic activists had organized peasants into "Committees of Agricultural Workers," which in 1978 became the Rural Workers' Association (ATC). In 1977, the front helped create the Association of Women Confronting the National Problem (AMPRONAC), which agitated for women's rights and protested against the wholesale human rights violations of the Somoza regime. In 1978 and 1979, AMPRONAC and the FSLN encouraged the formation of neighborhood "Civil Defense Committees"

(CDC's) whose function was to organize urban neighborhoods and blocks to fight the dictatorship.

After the liberation, the FSLN Directorate moved quickly to consolidate the advances already made toward what many Nicaraguans enthusiastically referred to as "popular democracy." A Council of Popular Organizations was created to coordinate and support mass mobilization. Encouraged by the state, popular organizations expanded rapidly. Immediately after the liberation, two new mass associations were created: the 19th of July Sandinist Youth (JS-19) and the Sandinist Children's Association (ANS). The former mobilized young adults and teenagers to participate in activities like the literacy campaign; the latter was set up to give poor children—many of whom had actually fought in the war—special recreational and educational activities. At the same time, AMPRONAC metamorphosed into a new organization called the Luisa Amada Espinosa Association of Nicaraguan Women. Named for the first woman to die in combat against Somoza, AMNLAE began a radio program, published a newspaper, *The Women's Voice*, set up child-care centers, cooperated with the literacy and health campaign, and worked to revamp the legal system of Nicaragua in order to bring legal equality to women. In addition, the Sandinist workers and peasants' associations, the Sandinist Workers' Central (CST) and the Association of Rural Workers (ATC), expanded rapidly; by mid-1980, each claimed memberships of over 100,000.

Of all the popular organizations, however, probably the most important were the neighborhood committees. Created during the war as Civil Defense Committees, these organizations now metamorphosed into Sandinist Defense Committees (CDS's). Within a few months, the CDS's had spread out into most of the country. Modeled at least in part on the Cuban Committees for the Defense of the Revolution (CDR's), the CDS's performed several functions of vital importance to any real social revolution. They were explicitly designed to guard against counterrevolutionary activity. CDS members were asked to keep watch in their neighborhoods and report any suspicious acts. Although this vigilance function was seen by the privileged sectors and by some foreign observers as "ominous," with "totalitarian" implications, reported incidents of CDS abuses of power during the first year were surprisingly few and trivial. And weighed against any abuse was the need to quash the disruptive activities of renegade National Guardsmen and counterrevolutionary paramilitary organizations of both the right and the left.

The CDS's also served a vital function as low-cost program facilitators. They mobilized people at the grass-roots level in a wide variety of voluntary activities to support the government's social programs. They quickly and efficiently distributed international

relief food; they helped make possible an immediate nationwide vaccination campaign against measles and polio; they collected bottles for the distribution of badly needed medicines; they played a very significant role in the massive literacy campaign of 1980; they carried out neighborhood cleanup drives; they cooperated in an impressive nationwide sports program; and they identified and overcame many local problems.

Finally, the CDS's and other popular organizations gave common citizens the opportunity to participate in the revolution through grass-roots decision-making and voluntary activity. A totally new experience for most Nicaraguans, this "popular democracy" provided them with a constructive outlet at a time when the devastation of war had left a legacy of high unemployment. The popular enthusiasm and energy mobilized by the liberation struggle were channeled into the building of a new society.

Clearly, the political power of the FSLN late in 1980 dwarfed that of all other political groupings combined. Had a national election been held at that time, the front would have won by a wide margin. Nevertheless, the Sandinistas repeatedly stressed that their concept of "democracy" had social and economic as well as political components. Aware of the sad social record of formal political democracies elsewhere in Latin America, they announced in August, 1980, that national elections would not be held until 1985, after a minimal base of social and economic democracy had presumably been established.

ECONOMIC POLICY

No political system can long survive nor can a social revolution implement its lofty goals in the face of prolonged economic chaos. The young revolutionaries who came to power in July, 1979, understood this fact. They had just taken control of a country ravaged by war, looted by its former dictator, and heavily indebted to foreign governments and private banks. Furthermore, the externally dependent nature of the country's economy meant that, no matter what action was taken by the new government, Nicaragua could be "destabilized" if major public and private economic interests in the Western world chose to do so.

Immediately after the liberation, all the properties of the Somozas and their cohorts were nationalized. In the following months, there were additional confiscations. Even so, the private sector still accounted for over half the productive capacity of the country; the government was eager to preserve private enterprise as long as it could be persuaded to function in the interest of the nation. While it was monitored and regulated, the private sector was also stimulated through public credit and tax incentives and by means of legal safeguards.

The new government also wanted to free Nicaragua

from the state of international debt peonage in which it found itself in 1979. The government could not renounce the astronomical \$1.6-billion foreign debt the Somoza regime had left behind, because that would have resulted in the country's financial isolation in the Western world. Therefore, the decision was made to pay off the debt. Considerable headway in this direction was made by reactivating export production, imposing mild domestic austerity, basing revolutionary social programs on voluntary labor and organization rather than on massive public spending, and renegotiating the terms of the debt itself, including the renegotiation of the high-interest, short-term debt owed private foreign banks. After considerable bargaining with a committee representing more than 100 foreign banks, Nicaragua achieved an "unprecedented agreement" involving a new 12-year term, a 5-year grace period, and greatly reduced interest rates.³

All in all, the economic progress achieved by late 1980 was substantial. A delicately mixed national economy was well on its way to recovery from the damages caused by the war. The national debt had been successfully renegotiated. And grants-in-aid or new loans on very favorable terms were offered by a variety of countries.⁴

The social impact of the revolution was felt in rural and urban areas alike. In the cities, the government embarked on labor-intensive public works projects, which not only gave jobs to many of the postwar unemployed but also provided facilities like roads, sidewalks, marketplaces and recreation areas. In rural areas, the approximately 25 percent of the country's arable surface that had been confiscated by the revolution⁵ was turned into state farms and production cooperatives. In this sector, efforts were made to better the lives of workers by improving conditions; providing small health units, schools and housing projects; and opening rural stores where prices for basic commodities were kept artificially low. In the bulk of the agricultural sector that remained in private hands, the government strictly enforced laws governing wages and working conditions and encouraged workers, through their unions, to insist on their rights. Finally, small independent peasants were given access to substantial amounts of public credit and were assisted by means of strict controls governing water usage and rents for agrarian lands.

The revolution also implemented sweeping changes in the areas of public health, housing and education.

³"Nicaragua Makes Peace with Bankers over Somoza's Unpaid Debts," *Latin America Weekly Report*, September 12, 1980, pp. 1, 2.

⁴"Nicaragua: Positive Results from Foreign Financing," *Central America Report*, November 8, 1980, pp. 346-8.

⁵Since it turned out that Somoza and his cohorts had owned less land than had previously been estimated, the new agrarian public sector was smaller than might have been expected.

The overriding philosophy in health was to make services available to everyone in rural and urban areas and to minimize costs by emphasizing preventive rather than curative medicine. The number of physicians to be produced by the national universities every year was to be increased tenfold, and a program to train paramedics was initiated. A nationwide oral-rehydration program for diarrhea-dehydrated infants was established. Thanks to the cooperation of the "popular organizations," a massive immunization program against polio and measles was able to reach 85 percent of the vulnerable population by late 1979. And there was also a greatly increased emphasis on nutrition, latrine building, hygiene and health education.

In housing, the government moved to help the poor by controlling rents, outlawing urban land speculation and taking over illegal subdivisions where unscrupulous landowners had been selling plots on the installment plan without providing a basic service infrastructure. The government's long-range philosophy was to provide legal protection to the renter and homeowner and to supply infrastructural, technical, and organizational support for the construction of new low-income housing stock. Massive government-financed public housing was apparently rejected as a viable option.

The most ambitious social project implemented by the Sandinist revolution in its first 18 months in power was the National Literacy Crusade of 1980. From March to August, 1980, schools were not in session, as over 100,000 young volunteers dispersed throughout the country in an attempt to bring literacy to the majority of the population over ten years of age who could neither read nor write. According to official statistics, the illiteracy rate in that age category was reduced in those five months from over 50 percent to less than 13 percent.

Although people hostile to the revolution claimed immediately that the Sandinistas had grossly exaggerated their achievement, a fair examination of methods, tactics, and resources reveals that gains were at least plausible. The student-teacher ratio was a very favorable seven or eight to one. Five months would certainly have been sufficient time in which to com-

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Thomas W. Walker is the author of *The Christian Democratic Movement in Nicaragua* (Tucson: University of Arizona Press, 1970) and *Nicaragua: A Profile of the Land of Sandino* (Boulder, Colorado: Westview Press, 1981). He is also the co-author/editor of *Nicaragua in Revolution* (New York: Praeger Publishers, 1981) and has written a number of articles on the politics of Nicaragua and Latin America. Since the Sandinist victory he has returned to Nicaragua three times.

BOOK REVIEWS

ON LATIN AMERICA

THE CRUEL DILEMMAS OF DEVELOPMENT: TWENTIETH-CENTURY BRAZIL. By *Sylvia Ann Hewlett*. (New York: Basic Books, Inc., 1980. 243 pages, acknowledgment, tables, notes and index, \$15.00.)

This is an important addition to the studies of economic development in Brazil and a valuable contribution to the literature on development. In the introduction the author states that she believes "poverty and repression are grounded in the harsh realities of economic development." She supports her thesis with an analysis of the factors that control economic growth dynamics in the modern world. With regard to Brazil, she states that industrialization "through policies designed by and for an elite group meant a concentration on sophisticated consumer goods and a reliance on capital and skill-intensive technologies. The bulk of the people remained redundant to the production process both as producers and as consumers." Despite high economic growth rates, the inequality of income distribution has increased; by 1976, the top one percent of the population received more of the national income than the bottom 50 percent. The social and political trade-offs for successful economic growth have been wide-ranging. The author is of the opinion that "no Brazilian government enjoying the support of the contemporary power elite can make a significant dent on the social welfare problem, for a radical improvement in the condition of the poor would seriously threaten the very existence of this elite."

MARY M. ANDERBERG

PARAGUAY UNDER STROESSNER. By *Paul H. Lewis*. (Chapel Hill, N.C.: University of North Carolina Press, 1980. 256 pages, preface, maps, notes, bibliography and index, \$22.00.)

Paraguay has been ruled by General Alfredo Stroessner for over a quarter of a century. As Paul H. Lewis points out in this well-written study, Stroessner is a typical caudillo: like other modern dictators, he has used economic development to justify his ruthless rule. However, he has demonstrated considerable skill in maintaining his power and his economic achievements are considerable. When he gained control of the government, Paraguay's economy was in disarray, because of the Chaco War and the devastating civil war of 1947, and the irresponsible practices of the Central Bank in the early 1950's. Stroessner was able to restrict credit and the money supply, maintain a stable

currency, control inflation reasonably well until the oil crisis, promote internal improvements, increase trade, attract foreign investment and cooperate with Brazil and Argentina in developing hydroelectric facilities. But economic development has mostly benefited the upper classes: the landowners, businessmen, foreign investors and the regime. This study evaluates Stroessner's economic policies and his methods of consolidating his power, including the techniques of coercion and repression he employs against the opposition.

M.M.A.

DIARY OF THE CUBAN REVOLUTION. By *Carlos Franqui*. Translated by *Georgette Felix, Elaine Kerrigan, Phyllis Freeman and Hardie St. Martin*. (New York: The Viking Press, 1980. 546 pages, map, notes, biographies and index, \$25.00 hardcover, \$16.95 paperback.)

During the Cuban revolution, Carlos Franqui was editor of the underground newspaper *Revolución*, propaganda officer for the leadership of the 26th of July Movement, and director of Radio Rebelde in the Sierra Maestra. He was in charge of the archives of the revolution in 1961; but when Castro ordered all documents of the revolution turned over to the state, Franqui began to smuggle documents of the war out of Cuba on microfilm. He collected a wide range of these documents in the form of a diary of the years 1952-1959. The diary, which consists of letters, reports, orders, communiqués, interviews and recollections of leaders of the revolution, provides a unique record of the revolution and revealing self-portraits of its leaders. The volume also contains short biographical sketches of over 50 Cuban revolutionaries. In 1968, Franqui broke with Fidel Castro over Cuban endorsement of the Soviet invasion of Czechoslovakia and now lives in exile in Europe.

M.M.A.

PUERTO RICO: COMMONWEALTH OR COLONY? By *Roberta Ann Johnson*. (New York: Praeger, 1980. 199 pages, foreword, preface, acknowledgments, tables, figures, maps, notes, appendices, bibliography and index, \$17.95.)

The question of its political status remains Puerto Rico's most important and divisive issue. But as Johnson points out, all agree that the island must rid itself of the vestiges of colonialism: "The independists, by throwing out the colonizer; statehooders, by merging with the colonizer; and commonwealthers, by becoming more equal to the colonizer. . . ."

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REVOLUTIONARY CUBA

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whose sixth summit conference took place in Havana in September, 1979. As president of the group, Castro addressed the United Nations General Assembly, eloquently arguing the case for a new international economic order. His leadership also saved the Soviet Union from formal criticism and rebuke in that forum in the wake of the Soviet move into Afghanistan. It is generally believed that in consequence of defending its ally, Cuba lost its bid for a Security Council seat in 1980 and 1981. Cuba's relations with China may be described as proper and correct but cool.

With respect to the United States, the trend toward the normalization of relations apparent in earlier years suffered serious setbacks after Cuba's intervention in Ethiopia in early 1978. The United States position hardened considerably in late 1979 because of the Soviet combat personnel stationed in Cuba. In November, 1979, the United States State Department summarized the conditions for improvement of relations with Cuba. The agenda restated two old demands (the settlement of United States property claims and Cuban restraint in Africa, including troop reductions) and commented on two recent concerns (Caribbean/Central American involvement and Cuba's closer relationship with the Soviet Union). The Cuban refugees obviously aggravated the situation.

However, in the fall of 1980, Cuba started to pursue subtle conciliatory moves, returning aircraft hijackers, freeing United States citizens long imprisoned in Cuban jails, and facilitating the departure of several hundred Cubans who had taken refuge in the United States diplomatic mission. What the election of Ronald Reagan will mean to the future of relations between the two countries is an open but anxious question.

After 22 years, the Cuban revolution is solidly consolidated, but it is only tentatively institutionalized. In inescapable contradiction, Castro remains the personification of the process of institutionalization. Cuba has achieved impressive gains in social justice and national independence. The revolution could afford to become more tolerant but most likely it will choose to reaffirm its intransigency. Cuba's external enemies may have been vanquished but recalcitrant internal obstacles loom larger than ever. ■

ARGENTINA

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ambitious military leaders confront political dilemmas without obvious solutions. One dilemma emerges from the junta's desire to manipulate the nation's

political parties in order to guarantee that old party battles do not subvert the creation of a new political regime. While some officers still seek the destruction of old parties, most recognize that given the depth of old loyalties and habits, the junta must involve some of them in their reconstructed political system. Yet as the parties reasserted themselves in 1980, the frightened, control-oriented officers turned defensive once again.

The other problem is more general. Military regimes committed to rewriting the rules of the civilian political game usually discover that it is much easier to change a nation's economic behavior than it is to reconstruct its political processes. How does one build a consensus on the national purpose and the means for achieving it if fundamental beliefs about political ends and means differ and class conflict runs deep? Can consensus be achieved by eliminating a few of the country's largest political organizations and forcibly merging others? Is the achievement of steady economic growth using the market mechanism enough to induce the abandonment of old political loyalties?

Retired Lieutenant General Roberto Viola was selected by the junta on October 1, 1980, to succeed his close friend General Jorge Videla to serve a three-year term beginning at the end of March, 1981. The long expected choice of Viola introduces one more note of uncertainty into Argentine public life. The junta and its ministers promise continuity; but Argentines, as usual, have begun to speculate about the consequences of the regime's first presidential rotation. There are rumors of more or less respect for human rights, of a large or a small currency devaluation, and of a swift or a delayed restoration of party activity after Viola's inauguration. Reported to be a reserved, deliberate and consensus-oriented person, Viola will do little to define his positions before March, to convince everyone that he will sustain the tightly managed reconstruction process begun in 1976.

In its foreign relations the current Argentine government resembles its predecessors. Those who promised Argentines a holy war against Marxism inside the country have been pragmatic and materialistic in their foreign relations. At meetings of international agencies they spout familiar third world clichés. And in their foreign trade they sell to the highest bidder, selling their automobiles to Cuba and their grain to the Soviet Union despite the United States call for an embargo.

Relations with the United States have created difficulties for the Videla government. The United States and Argentina have never been close; in fact, since World War II Argentine leaders have asserted their independence from the United States even when they are cooperating with it. Argentina became an obvious and convenient target for President Jimmy

Carter's human rights campaign—obvious because the violations were many and well documented; convenient because it was easier to use Argentina as an example than an ally like Korea or the Philippines on whom the United States is strategically dependent. Videla and his colleagues resented the condemnation until early 1980, when President Jimmy Carter's administration began to promote more cooperative relations. After cutting military aid and blocking Export-Import Bank loans to Argentina in 1978, the administration released \$980 million in loans in 1980, in response to pressure from United States firms in Argentina. Relations also improved when Argentines took advantage of their overvalued currency to purchase a record \$2 billion worth of goods in the United States in 1979.

The human rights violation issue remains, although it is not always stressed. At his confirmation hearings before the United States Senate in September, Ambassador Harry Schlaudeman noted that there are still human rights violations (though reduced) in Argentina and that these violations still concern the United States. With the surprise awarding of the Nobel Peace Prize to Argentine human rights leader Adolfo Perez Esquivel, once jailed by the Videla government, world attention refocused on violations of human rights in Argentina, to the displeasure of the government.

The current improvement of relations between the United States and the Argentine junta should continue under President Ronald Reagan. Although the new United States President claims to support human rights principles, he has criticized his predecessor's approach and promises that his approach will be less ambitious. Governments who violate human rights may be questioned through diplomatic channels but will probably seldom be denounced publicly or suffer economic reprisals.

In sum, how should the "new" Argentina be evaluated? Has its economic and political life changed radically during the past five years or are its military rulers merely projecting an illusion? Some economic conditions have improved, and the forces of supply and demand more nearly prevail. But are these conditions permanent? Economic institutions have no permanence but are only more or less durable in the face of demands for change. Even the durability of the current effort will not be known until the military regime is replaced by a government that allows the competitive forces of the political marketplace to set economic policy. And that is not likely to occur in the near future. Despite much talk of opening the system and restoring the rights of political parties, in Argentina, little change is likely to occur in the next few years under General Viola, who pledged to continue Videla's policies before he was unanimously confirmed by the junta in September, 1980.

Thus, given their unwillingness or inability to devise a viable alternative, the current junta remains a prisoner locked in the same cell in which Argentina's military rulers have spent much of the past 25 years: they must choose between returning the reins of government to the parties and movements they abhor, or retaining authority themselves, hoping that their long sought economic miracle will be achieved and its utopian political harvest reaped. They have said they will not resort to the former, and they offer little reason to believe that they will succeed with the latter.

ENCORE FOR BELAUNDE IN PERU

(Continued from page 69)

Torre invited unfavorable comparisons between the two men: Víctor Raúl's charm and brilliance; Armando's image as a dull, party hack.

The outcome of the campaign was difficult to predict. On the whole, the electorate was politically unsophisticated. The 830,000 illiterates among the 6.4 million registered voters were participating in their first election, and no Peruvian under age 38 had ever voted for a President.

BELAUNDE'S BANDWAGON

Given Peru's multiparty system, Belaúnde won a landslide in the May 18, 1980, election. He won a plurality in 21 of the nation's 25 departments. APRA carried only three departments, all of these in its traditional (but eroding) "solid North." The populist National Federation of Workers and Peasants (FNTC), based in Puno, won a narrow victory in that department but claimed few votes elsewhere. The revolutionary left did not gain a plurality in a single department, nor did any of the conservative parties. Between 1978 and 1980, the Peruvian electorate had shifted significantly from both the left and right toward the center of the political spectrum.¹¹

The apparent collapse of the right is explained by Popular Action's absence from the 1978 contest; many of its supporters had voted for the conservative PPC. The decline of the left is more complicated.¹² A vote for the left in 1978 was the strongest possible protest against the military regime, its austerity program and its collaborators in APRA.

However, poor Peruvians were losing their faith in

¹¹The 1978 figures have been calculated from *Keesing's Contemporary Archives*, September 15, 1978, p. 29202; 1980 data from DESCO, *Resumen Semanal*, no. 77, June 25-July 4, 1980.

¹²Useful analyses of political opinion among Peru's urban and rural poor are Mario Julio Torres Adrián, "Radicalismo o izquierdismo político en el Perú: Un análisis de opiniones políticas," *Revista Mexicana de Sociología*, vol. 41, October-December, 1979, pp. 1501-1534; and Cynthia McClintock, "After Peru's Agrarian Reform: Are the Peasants More Conservative or More Radical?" a paper presented at the LASA meeting cited earlier.

the efficacy of revolution and feared revolutionary violence (Hugo Blanco's electoral symbol was the clenched fist). In 1980, some voters who still hoped for rapid change were angered by the petty factionalism of the radicals and may have seen something incongruous about the often young, trendy revolutionaries in designer jeans. Belaúnde's promise of a gradual improvement in the condition of the poor may have seemed more realistic, and his identification with rural Peru helped him in the provinces and in the *barriadas*, many of whose residents are migrants from the interior.

A comparison of the returns in the senatorial and presidential races indicates that many supporters of small-party congressional candidates wanted to cast an "effective vote" for President. Among the minor contenders of the right and left, only the PPC's Bedoya outpaced his senatorial slate. Villanueva lost votes, apparently from supporters of APRA's Old Guard. Popular Action established itself as Peru's dominant party;¹³ and for supporters of other parties, Belaúnde was almost everyone's second choice for President—at least among the viable candidates. The left was especially wary of an APRA victory.

Public apprehension over the military's response to the election probably contributed significantly to Belaúnde's triumph. Throughout the campaign, President Morales Bermúdez had expressed his desire for a strong, broadly based administration. For the 1980 contest, the new constitution required a 36 percent plurality for the direct election of a President. Failing that, Congress would choose the winner from among the two leading contenders. Many observers doubted that any of the candidates could achieve the necessary plurality, and various scenarios elaborated in the press suggested that a deadlock might develop in the legislature, or that a fragile, gerry-built coalition government might emerge.

On the eve of the election, retired General Edgardo Mercado Jarrín, Velasco's Prime Minister, said he feared that the contest would produce "a weak government for what is now a strong state," and that there might be "a movement among the younger officers to take back power and complete the revolution."¹⁴ As the Lima press put it, "the motors of the tanks already are warming up."¹⁵ By boarding Popu-

¹³Although AP won a clear majority in the Chamber of Deputies, with 98 of 160 seats, it gained only 26 seats in the 60-member Senate. Therefore, Belaúnde formed a post-election coalition with the PPC to obtain the votes of that party's 6 Senators.

¹⁴Juan de Onis, "For Voters in Peru, It's Like Old Times," *The New York Times*, May 16, 1980, p. 7.

¹⁵"Perú: Incierto regreso a la democracia," *Hispano Americano*, May 19, 1980, p. 45.

¹⁶In addition to the sources previously cited, much information for this essay was gleaned from two outstanding newsletters published in London: *Latin America Weekly Report* and *Latin America Regional Reports: Andean Group*.

lar Action's bandwagon, many voters sought to ensure the transfer of power to a stable, civilian administration. Furthermore, a vote for Belaúnde was a final protest against the military men who had replaced him a dozen years earlier.¹⁶ ■

MEXICO'S OIL BOOM

(Continued from page 52)

in the tourist industry.¹⁴ By portraying Mexico as the "amigo country," López Portillo is attempting to attract more tourist dollars, a leading source of the foreign exchange needed to offset Mexico's balance of payments deficit.

Illicit drugs and the influx of illegal Mexicans constitute two of the most irritating problems on Mexico's approximately 2,000-mile border. In the United States, one-third of the Colombian cocaine that enters the country passes through Mexico, 75 percent of the marijuana originates in Mexico; and 89 percent of the heroin comes from poppies grown south of the border. Competing United States agencies have been unsuccessful in stopping the drug traffic and the migration of millions of Mexicans.

The problems of high unemployment and underemployment stem from Mexico's rapidly increasing population, combined with its failure to create enough jobs for the 700,000 workers that each year enter the labor market. If the present annual population growth rate of 3.4 percent continues, Mexico City will have 32 million people by the end of the century, while the population of the country will reach some 140 million. With a gross domestic product (GDP) growth rate of 7 to 8 percent a year, industry could provide 150,000 new jobs. But even if 150,000 more jobs were provided elsewhere, less than half of the new entrants into the labor force would find jobs.¹⁵

Once one of the most beautiful cities in the Western hemisphere, Mexico City is now one of the most blighted, as 750,000 people are added yearly to its population of 13 million, attracted by the glitter and by the prospect of a better life. Clouds of smoke from factories, automobiles, tortilla shops and burning garbage make lung congestion almost epidemic and blot out the view of Mexico City's two imposing volcanoes: Popocatepetl and Iztaccihuatl. Other urban centers, like Guadalajara and Monterrey, also suffer, as "campesinos" arrive each day looking for work, only to find menial jobs, if they are fortunate,

¹⁴David and Cesar Sereseres Ronfeldt, "The Management of U.S.-Mexico Interdependence: Drift Toward Failure," RAND Corporation, January, 1978, p. 19. (Prepared for the Department of State.)

¹⁵"Mexico's Oil and Gas Policy: An Analysis," Congressional Research Service of the Library of Congress (Washington, D.C.: U.S. Government Printing Office), December, 1978, p. 36. (Prepared for the Committee on Foreign Relations of the United States Senate.)

and makeshift homes in one of the sprawling shantytowns.

Overcrowding in the rural areas and in the cities is the consequence, in large part, of the slow rate of agricultural output. Because of heavy investments on the part of the government and the private sector in oil and industry, agricultural production has declined since 1976 to a rate of only 2.5 percent (from 5 percent annually), and so has farm work. Migration to the north has served as a safety valve by draining potential unemployment from Mexico's urban and rural areas.

It is impossible to estimate how many undocumented Mexicans are crossing the border into the United States where they receive two and a half times the wages they would receive in Mexico. United States Immigration agents round up thousands of undocumented workers each month and send them home. But figures from a three-year study conducted by the Mexican government calculate that there are far fewer Mexicans in the United States than previously thought (between 480,000 and 1.22 million).¹⁶ Most undocumented workers are men between the ages of 15 and 34 (71 percent). But perhaps the most astounding finding of the study is that the migrants are not among the poorest and least educated of Mexicans. They leave Mexico for higher wages but plan to return home, a kind of "push-pull" phenomenon. The workers are fulfilling a need and the migratory flow is, to a considerable degree, determined by demands of the United States economy.

There is no consensus on this emotionally charged issue in the United States. Hispanic minorities and other minorities including blacks resent the intrusion of Mexican labor into an already troubled economy, with an estimated 8 million Americans out of work.

Nonetheless, as long as a need exists and Mexican migrant labor provides a service, the "pull" will continue, because both economies benefit from the flow. Efforts to stem the influx could harm both economies, exacerbate the internal labor problem in Mexico and perhaps even cause greater bilateral friction. López Portillo has urged a two-pronged solution to the problem: the United States should relax its immigration rule to help maintain this safety valve on Mexico's chronic unemployment, and should encourage United States investment in Mexican industry, thereby providing more jobs.

In November, 1980, the National Union of Univer-

sity Workers (SUNTU) threatened a major walkout by some 40,000 members to gain recognition as an independent labor union in Mexico. But the strike did not materialize because the President outflanked actions by university workers and speedily introduced legislation that would dismantle SUNTU. Unable to win support from the rest of the labor movement, SUNTU had to accept a compromise proposal that allowed individual university unions to be formed, 26 in total, but forbade a national university workers' union.¹⁷

Mexico's pursuit of a more active foreign policy took a step forward when López Portillo visited six South American republics in a tour that ended on August 3, 1980. Before that, the President had traveled to France, West Germany, Sweden and Canada to discuss trade and to set up a 1981 meeting of 20 heads of state to condemn arms spending and discuss East-West relations.¹⁸

López Portillo traveled to South America to form a united front against a possible return of cold war politics to the region. The trip culminated in the formal signing of a treaty with Venezuela to supply oil to nine Central American and Caribbean countries on favorable terms (70 percent of the market price). The most provocative part of the tour for United States observers was López Portillo's three-day trip to Cuba.

For the Mexican President, easy oil terms for developing countries are a first step in the construction of a new economic order not dominated by the superpowers. Mexico also intended to set an example for Venezuela's fellow OPEC members. By excluding the United States from his most recent travels, López Portillo also indicated that Mexico was going to continue to pursue a very independent foreign course. Mexico has been critical of United States policies toward Cuba and Iran and wants to consolidate its position as a leader of the third world.

Today, everywhere in Mexico there is a sense of purposeful hurry. A sleepy village on the Pacific becomes a bustling town overnight; a slow-moving town on the gulf coast suddenly discovers oil and becomes an industrial center. Oil and gas have given Mexico new status, significantly affecting its relations with the United States. But domestically, higher oil exports have not yet been noticeably beneficial to the Mexican economy, particularly with regard to correcting the imbalance between wealth and poverty, controlling inflation and improving Mexico's balance of payments position. The unemployment problem remains. Despite Mexico's oil wealth, living conditions for the majority of its inhabitants have dipped to the subsistence level, mainly as a result of an uncontrollable population explosion.

Both López Portillo and his successor must make giant strides in the industrialization of their country. Relations with the United States are still of major

¹⁶"Mexico's Count of Migrants in U.S. Is Lower than Others," *The New York Times*, October 13, 1980, p. 3.

¹⁷For more on this see "University Workers Threaten a 'Gdansk' for the Government," WR-80-39, October 3, 1980, pp. 5-7; and "President Moves to Outflank Action by University Workers," WR-80-40, October 10, 1980, pp. 3-4.

¹⁸"López Portillo's Travels May Boost North-South Dialogue," WR-80-23, June 13, 1980, pp. 4-5.

importance in spite of rhetoric to the contrary. But a legacy of conflict, bitterness, arrogance, and neglect may complicate the satisfactory resolution of difficult issues like drug smuggling and illegal migrant labor.

From López Portillo, his successor will inherit the monumental task of trying to feed an exploding population. If oil wealth can be converted into food and can provide at least a minimal level of welfare, then both Presidents will succeed. But if real opportunities for the disaffected do not materialize, then Mexico may experience a social upheaval on the scale of the Revolution of 1910. ■

ABERTURA IN BRAZIL

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run amok. The German-designed nuclear power plant, Angra II, will not be completed until the early 1990's. Delfim's economic policies forced deep budget cuts and layoffs for Nuclearbrás, the atomic energy commission. To make things worse, the new head of Electrobrás, the federal organ in charge of the nuclear power plant project, is General Costa Cavalcanti, also the president of the hydroelectric plant, Itaipu Binacional. The energy establishment appears to be deeply divided: hydroelectric plants produce power more cheaply than nuclear plants, and it is said that Delfim is not keen on nuclear energy development.

Próalcool, a federal project that will make Brazil self-sufficient in automobile fuels (ethanol) in about three years, has received massive funding but has been plagued with charges of corruption. For the time being, Brazil is forced to import its oil from Arab countries; at present, 85 percent of Brazil's oil requirements are met by imports, and Iraq is Brazil's major supplier. To strengthen its ties with the Arab bloc, to which Brazil sells military hardware, the Figueiredo government allowed the Palestine Liberation Organization (PLO) to set up an office in Brasilia.

Is abertura a major turning point for Brazil's new foreign and domestic policies? It could be. The current regime hopes to return Brazil to middle-of-the-road civilian rule. But the events of 1980 brought countless complications. Should the left become more assertive and the economy grow more unmanageable, the possibility of a preemptive right-wing coup cannot be discounted. Whether the current course will lead to chaos will greatly depend on economic recovery as well as on Figueiredo's ability to control the armed forces. ■

GUATEMALA AND EL SALVADOR

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Such criticism seemed only to alienate the Lucas administration further. It refused to approve Presi-

dent Carter's nomination of George Landua as Ortiz's successor in Guatemala, hoping that a Reagan victory would produce a more palatable ambassador. On September 7, in a major speech, President Lucas bitterly attacked Carter, denouncing United States policy and vowing that "the gringos are not going to teach us what democracy is."¹⁶ Under such circumstances, Ronald Reagan's victory produced open satisfaction in government circles that hoped that his inauguration would herald an end to human rights pressures and a resumption of military sales.

By late 1980, the level of polarization and violence in Guatemala seemed to be approaching that experienced in El Salvador in 1979. Guerrilla forces, which had announced a merger of their four major factions in June, were stepping up their attacks on the government and appeared to have taken effective control of parts of the Departments of El Quiché and Huehuetenango. The possibility of a moderate solution seemed to be declining. In June, the Christian Democratic party suspended its activities and withdrew its deputies from Congress. Two months later, Vice President Francisco Violarán Kramer fled to the United States and resigned. The search for a political solution seemed to be subordinated to preparations for military confrontation.

Whether the incoming Reagan administration will be more successful in responding to the crisis in Central America than was the outgoing Carter administration is a vital question. But even more important are the actions of Guatemalans and Salvadorans themselves as they choose between movements toward polarization or reconciliation. At the moment, the odds would seem to favor continued polarization.

On September 4, 1980, the editor of the Salvadoran newspaper *El Mundo* sadly noted that in his country the continuing violence had "introduced the planting of crosses in the fields where cereals and vegetables used to grow." A few weeks earlier Irma Flaquer had announced the disbanding of Guatemala's Human Rights Commission, which she had directed. She cited threats made against her and her fellow members, and concluded, "Guatemala does not need any more martyrs, but citizens who will devote their lives and efforts to develop fully as free human beings."

The tragic reality, however, is that the most likely prospect for 1981 is the continued planting of crosses in the fields of El Salvador and a steady procession of Guatemalans who, like Irma Flaquer, will be martyred in the defense of human freedom. ■

¹⁶Assistant Secretary of State William Bowdler, "Speech to the Pan American Society of New York," April 1, 1980. Riding, *op. cit.*, p. 66.

¹⁷Foreign Broadcast Information Service (FBIS), September 8, 1980, pp. P9-10 and September 9, 1980, pp. P7-8. *Diario de las Américas*, September 8, 1980, p. 6, and September 13, 1980, p. 6.

BOLIVIA

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than the more developed Southern nations, but Bolivia's small population and proximity to the Southern Cone compensates for many of these "disadvantages."

Third, the many steps toward international disapproval of the García Meza government have failed so far to shake its hold. Bolivia's four partners in the Andean Pact (Peru, Ecuador, Colombia and Venezuela) denounced the coup and the new regime; in late July a similar (and precedent-breaking) step was taken by the Organization of American States (OAS). The European Economic Community has also shunned all contact with Bolivian representatives since mid-July. The durability of the junta in La Paz has, however, begun to raise second thoughts in the Andean Pact, which can ill afford to lose more members after the recent withdrawal of authoritarian Chile.

Under these circumstances, the United States will exercise a great deal of influence on Bolivia's international and economic concerns and thus on the evolution of Bolivia's domestic politics. President Jimmy Carter's administration strongly supported civilian rule in La Paz, tried to discourage the mid-July coup and firmly opposed García Meza and his supporters after their takeover. In addition to the suspension of aid and support for OAS criticism, Washington (probably most crucially) withheld *de facto* recognition from the new government. Ambassador Marvin Weissman, withdrawn just after the coup, remained in Washington as a sign of the Carter administration's displeasure. Following the United States lead, through late fall of 1980 only 18 nations had recognized the Bolivian junta.

Spokesmen, both formal and informal, for the incoming administration of Ronald Reagan have often said that major changes in hemispheric policy will be made. Encouragement to Bolivia's far-right military government can be read into a good many of these statements. Human rights (as a practical and not a rhetorical goal) will clearly play a lesser role in the new United States administration's Latin American policy.¹²

Following the election, David Rockefeller of the Chase Manhattan Bank made a tour of the Southern Cone, telling businessmen and government leaders that human rights pressure would relax under President Reagan.

In the campaign Mr. Reagan made it clear that he will

¹²Center for Inter-American Relations, *Presidential Candidates' Forum Series* (New York, October, 1980), p. 11.

¹³Edward Schumacher, "Latins Welcome Word on Reagan by Rockefeller," *The New York Times*, November 11, 1980, p. A10.

deal with the world as it is [Rockefeller said in Argentina]; he is not going to try to change the world in his own image.¹³

But Reagan planners have said little about Bolivia, and the new administration's policy toward La Paz has not been clarified. Militating against a "normalization" of relations are the junta's apparent support of the drug trade, its obvious thwarting of an open electoral victory, and the very low (or nonexistent) radical threat in Bolivia. Still, even ignoring the incoming United States President's conservative ideology, the predictable routine caution of the United States State Department may help rescue García Meza. A very firm, decidedly un-traditional United States stance in support of the international boycott of Bolivia will be needed to keep pressure on La Paz. More probably, the new United States administration will compromise, sending a new ambassador with orders to maintain correct but cool relations with the junta. Such a step, perhaps unintentionally, would give the García Meza government the minimum conditions it needs to survive—basic international recognition and breathing space.

What large issues are at stake in whether Bolivia turns "south," toward the authoritarian camp, or "north," toward the struggling Andean democratic nations? Certainly Bolivia's choice will not greatly strengthen one bloc nor undermine the other. The Bolivian drama involves simpler but starker issues: whether a people's wish for democracy can be denied by a tiny minority distinguished only by its possession of arms and its lack of scruples, and whether the nation that leads the "free world" takes that phrase (at least in this case) seriously. ■

NICARAGUA

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plete the 23-lesson primer. And the method applied in certifying literacy—a standardized basic reading and writing test given all students who satisfactorily completed the entire primer—seems to have been reasonably demanding.

The key to the success of the crusade appears to have been careful planning and organization coupled with massive voluntary support. Drawing many of their ideas from the writings and experiences of Brazilian educator, Paulo Freire, and from the Cuban literacy campaign of 1961, the planners of the Nicaraguan crusade felt that, even though Nicaragua lacked economic resources, its literacy campaign should take place in the first year of the revolution in order to take advantage of the enthusiasm and high level of popular mobilization generated by the successful struggle to overthrow the dictatorship. Keeping to a tight schedule, they began by asking the popular organizations to help them in conducting a

nationwide census to determine the extent and distribution of illiteracy. Next, a literacy primer was prepared and field-tested. Professional educators taught other educators who, in turn, taught others until there were several thousand literacy trainers, who dispersed to the various regions of the country to train the young volunteers. Finally, in March, the volunteers fanned out across the land to teach. Logistical support was supplied by the Catholic Church and the popular organizations.

Central to the new foreign policy was the principal of "nonalignment." The junta sought to establish diplomatic relations with all of the nations of the world, regardless of domestic political characteristics; but it carefully attempted to avoid inflexible identification with the foreign policy of either superpower. This meant that while revolutionary Nicaragua retained diplomatic relations with the United States, West Europe and even most of the right-wing dictatorships of Central and South America, it also opened new embassies in third world and socialist capitals. High-level Nicaraguan delegations made goodwill visits to both the United States and the U.S.S.R. and to many third world countries.

The pursuit of nonalignment was not always easy. Accustomed to obsequious loyalty from the governments of the Somozas, the United States had little sympathy for the new government's emphasis on nonalignment. The United States was annoyed when Nicaragua failed to follow its lead in boycotting the Moscow Olympics, and many United States politicians and officials were angry when the Nicaraguan government, while voicing its disapproval of the Soviet occupation of Afghanistan in the United Nations, chose to abstain from the actual vote on the United States-sponsored resolution to condemn that invasion.

Nevertheless, Nicaragua's relations with most countries were reasonably good. Assistance in the form of volunteers, grants-in-aid and loans came from a variety of capitalist and socialist countries. Even the United States, fearing that prolonged economic chaos would lead Nicaragua in a leftward and more authoritarian direction, freed tens of millions of dollars in "pipeline" grant and loan money originally destined for Somoza and asked Congress for an additional appropriation of \$75 million in non-military aid to Nicaragua. Late in 1980, after a prolonged and dramatic congressional battle, the appropriation was finally approved.

In mid-November, 1980, the fragile *modus vivendi* between the privileged classes and the revolutionary system in Nicaragua appeared to be breaking down. Armed counterrevolutionary activity increased; opposition parties held demonstrations; and Sandinist flags were burned. Pro-Sandinist groups retaliated by attacking opposition party headquarters and picketing *La Prensa*. The government banned scheduled

opposition rallies. Eleven non-Sandinist delegates withdrew from the Council of State. After Jorge Salazar Argüello, the acting head of COSEP, died in an armed confrontation with police, the government arrested several COSEP members, some of whom later confessed in televised detail that they had been plotting counterrevolutionary military activities with Salazar and several exiled National Guard officers. Given these events and the concern aroused by the election of Ronald Reagan in the United States, it was not at all certain that the FSLN's unusual attempt to maintain a pluralist, multi-class approach to revolutionary change could be sustained. ■

BOOK REVIEWS

(Continued from page 83)

Despite a worldwide trend toward decolonization, in the 1967 plebiscite Puerto Rico voted to retain its colonial status. The decision was not an endorsement of United States policy but the result of complex social and economic factors. The independence movement failed not only because its leadership and membership were repressed by Spain and the United States; the lack of civic culture, the absence of a tradition of concerted effort and a mentality of resignation, wretchedness, inferiority and dependency generated by centuries of colonialism also played a part in the failure.

M.M.A.

THE LAND AND PEOPLE OF NORTHEAST BRAZIL. By Manuel Correia de Andrade, translated by Dennis V. Johnson. (Albuquerque, N.M.: University of New Mexico Press, 1980. 248 pages, introduction, preface, foreword, maps, glossary, notes, bibliography and index, \$19.95.)

This study by the distinguished Brazilian geographer deals with agricultural production and the relationship between landowners and landless workers in impoverished Northeastern Brazil. Historical and contemporary patterns of landholding and land utilization as well as the condition of the workers in each of the four subdivisions of the geographic area are examined. The various programs to reform existing practices are also critically analyzed.

M.M.A.

CHRISTIAN DEMOCRACY IN VENEZUELA. By Donald L. Herman. (Chapel Hill, N.C.: University of North Carolina Press, 1980. 289 pages, preface, introduction, maps, tables, appendix, notes, bibliography and index, \$24.00.)

Herman describes the evolution of the Christian Democratic party in Venezuela and offers an evaluation of the policies and performance of the government of Rafael Caldera.

M.M.A. ■

THE MONTH IN REVIEW

A Current History chronology covering the most important events of December, 1980, to provide a day-by-day summary of world affairs.

INTERNATIONAL

European Economic Community (EEC)

(See also *Poland*)

Dec. 2—The leaders of the 9 European Economic Community nations conclude a 2-day meeting in Luxembourg; they agree to continue for 2 more years their fixed exchange rate monetary system, with its monetary unit, the Ecu, for commercial use.

Iran Crisis

Dec. 2—In Algiers, U.S. Deputy Secretary of State Warren M. Christopher responds to Iran's demand for a clarification of the U.S. position in regard to Iran's demands for the release of the U.S. hostages.

Dec. 16—In Teheran, Iranian Prime Minister Mohammed Ali Rajai says the U.S. hostages should be freed by Christmas if the U.S. provides certain "financial guarantees" assured through the Algerian government.

Dec. 19—Details of the Iranian government's "final demands" for the hostages are revealed in Teheran; the government demands that the U.S. deposit in the Central Bank of Algeria the equivalent of the Iranian assets currently frozen in the U.S., thought to be about \$14 billion. In addition, Iran demands a \$10-billion deposit to guarantee that Iran will recover the assets of the late Shah.

Dec. 21—U.S. Secretary of State Edmund S. Muskie says that Iran's recent demand for \$24 billion is "unreasonable."

Over the last 2 days, Iranian authorities have released films of 41 of the 52 U.S. hostages; the 11 hostages who did not appear were apparently absent at their own request.

Dec. 22—In Teheran, Speaker of Iran's Parliament Hojatolislam Hashemi Rafsanjani says the U.S. hostages will be put on trial if the U.S. does not meet Iran's demands.

Dec. 25—In Teheran, Papal Nuncio Monsignor Annibale Bugnini conducts Christmas services for the hostages.

Dec. 26—In Teheran, Algerian Ambassador to Teheran Abdelkarim Gheraieb says he met with all 52 hostages Christmas night.

Dec. 27—Prime Minister Rajai proposes a new plan in which the U.S. would deposit \$9 billion in the Algerian Central Bank and the hostages would then be released as the remaining monetary claims against the U.S. are arbitrated.

Dec. 28—Commenting on Iranian demands for financial guarantees, U.S. President-elect Ronald Reagan calls the demands "ransom" and says that the Americans "were kidnapped by barbarians."

Dec. 30—U.S. negotiators propose to transfer between \$5 billion and \$6 billion of an estimated \$11 billion in frozen Iranian assets to the Algerian Central Bank in exchange for the release of the hostages.

will be suspended until the administration of U.S. President-elect Ronald Reagan appoints new U.S. representatives to the talks.

Dec. 18—In a joint statement issued today, Israeli Prime Minister Menachem Begin and Egyptian President Anwar Sadat again affirm their faith in the Camp David accords and the peace process and their confidence that agreement on Palestinian autonomy will be achieved.

North Atlantic Treaty Organization (NATO)

(See also *Poland*)

Dec. 9—NATO sources report that the U.S. will shortly supply Awacs (long-range radar surveillance planes) to monitor the situation along the Polish border.

Organization of Petroleum Exporting Countries (OPEC)

Dec. 15—OPEC members begin a meeting in Bali, Indonesia.

Dec. 16—The 13 members of OPEC agree to permit the price of crude oil to rise as high as \$41 per barrel; Saudi Arabia will raise the price of its oil from \$30 to \$32 per barrel, the new base price for OPEC oil; the meeting ends in apparent agreement.

Dec. 31—Nigeria increases its price of crude oil by \$3 per barrel to \$40; yesterday, Libya increased its price to \$41 per barrel.

Persian Gulf Crisis

Dec. 1—Iraqi Foreign Minister Saadun Hamadi again calls for direct negotiations between Iraq and Iran to end the fighting.

Dec. 6—Heavy fighting continues in Khuzistan, Iran's oil-producing province. Iranian planes attack Kurdish cities in northern Iraq in an attempt to cut supply routes to Kurdish insurgents in northwestern Iran.

Dec. 19—It is reported that Iraqi oil shipments via the pipelines running through Turkey and Syria have been temporarily suspended because of sabotage.

Dec. 22—The Iraqi government announces that its troops have dug in for the winter in Khuzistan.

Dec. 25—Iraqi President Saddam Hussein reports that Iraqi troops have invaded Kurdistan, Iran's northwestern province.

United Nations

(See also *Israel*)

Dec. 15—For the 4th time in 3 years, the General Assembly votes in favor of a resolution calling for sanctions against Israel for not withdrawing from Arab lands held since the 1967 war; the vote is 98 to 16, with 32 abstaining.

AFGHANISTAN

Dec. 26—It is reported that 3 relatives of President Babrak Karmal were shot to death by members of the ruling People's Democratic party as they attempted to flee to Pakistan.

CANADA

(See also *France*)

Middle East

(See *U.S., Administration*)

Dec. 4—Egyptian Minister of State for Foreign Affairs Boutros Ghali says that talks on Palestinian autonomy

Dec. 21—Energy Minister of British Columbia Robert H. McClelland orders 2 companies owned by the province to disregard the federal tax on their sales of natural gas; the federal gas tax, amounting to about 24 cents per 1,000 cubic feet, went into effect November 1.

CENTRAL AFRICAN REPUBLIC

Dec. 24—In Bangui, a court sentences former Emperor Jean-Bedel Bokassa to death in absentia and orders the confiscation of all his property at home and abroad; Bokassa is currently living in the Ivory Coast.

CHAD

Dec. 3—It is reported that 3,000 Libyan soldiers have advanced to a base 35 miles north of N'Djamena, the capital.

Dec. 12—Fighting is reported in N'Djamena between supporters of President Goukouni Oueddei and those loyal to former Defense Minister Hissene Habré; Libyan troops are reportedly joining in the offensive against Habré for the first time.

Dec. 16—It is reported that Libyan troops and about 50 tanks have taken over the capital city of N'Djamena in the name of President Oueddei.

CHILE

Dec. 26—President Augusto Pinochet requests the resignation of his entire Cabinet to clear the way for his new administration, to begin March 11, 1981.

CHINA

Dec. 3—In Beijing, high-level talks on economic issues are held between Japanese Cabinet ministers and their Chinese counterparts.

Dec. 4—The New China News Agency reports that Jiang Qing, Chairman Mao Zedong's widow, has confessed to crimes against former head of state Liu Shaoqi during the Cultural Revolution; Jiang Qing previously denied personal involvement in the crimes.

Dec. 24—Speaking on her own behalf before the court, Jiang Qing professes her innocence and says that all her actions during the Cultural Revolution were taken on orders of Chairman Mao.

CUBA

Dec. 17—In Havana, President Fidel Castro addresses the opening session of a 4-day conference of delegates representing Communist parties in 140 nations.

EGYPT

(See *Intl. Middle East*)

EL SALVADOR

Dec. 3—In San Salvador, funeral services are held for 6 leftists slain last week by right-wing political opponents.

Dec. 4—In San Salvador, a U.S. embassy official says that the bodies of 4 American women (3 nuns and a lay worker) have been found; the women were reported missing 2 days ago.

Dec. 5—The U.S. suspends new military and economic aid until the role of the government's security forces in the murder of the 4 American women is determined; former Assistant Secretary of State for Inter-American Affairs William D. Rogers is appointed to lead a fact-finding mission to El Salvador.

Dec. 7—Colonel Adolfo Arnoldo Majano, considered the most liberal member of the civilian military junta, is ousted. Colonel Majano originally led the coup against

President Carlos Humberto Romero in 1979, but gradually lost power to more conservative members.

Dec. 10—The junta announces plans to name a national President to replace the 5-man junta.

Dec. 15—José Napoléon Duarte is sworn in as the civilian President; junta member Colonel Jaime Abdul Gutiérrez is named as Commander in Chief of the armed forces.

Dec. 17—In Washington, D.C., the U.S. restores \$20 million in economic aid following the inauguration of Duarte as President.

Dec. 18—In Washington, D.C., the Inter-American Development Bank approves a \$45.5-million loan to assist peasant cooperatives.

Dec. 27—In Chalatenango province near the Honduras border, heavy fighting breaks out between left-wing guerrilla forces and government troops.

FRANCE

Dec. 2—In Dakar, Senegal, a scheduled meeting to establish a French-speaking commonwealth is postponed indefinitely because of a disagreement among representatives from France, Quebec Province and Canada's federal government.

GERMANY, EAST

Dec. 17—Prime Minister Willi Stoph announces an 8.4 percent increase in military spending for 1981.

GERMANY, WEST

Dec. 17—Finance Minister Hans Matthofer presents his government's 1981 budget to Parliament; proposed military expenditures do not meet Germany's pledge to NATO to increase military spending by 3 percent a year.

GUYANA

Dec. 17—In yesterday's nationwide elections, President Forbes Burnham's Socialist party wins 76 percent of the vote; international observers accuse Burnham of rigging the election.

HAITI

Dec. 3—4 of the hundreds of intellectuals arrested November 29 are released and expelled from the country; others remain in jails or in hiding.

INDIA

(See also *U.S.S.R.*)

Dec. 8—Soviet President Leonid I. Brezhnev arrives in New Delhi for a state visit.

Dec. 11—At the conclusion of talks between Brezhnev and Prime Minister Indira Gandhi, a joint communiqué is issued declaring each nation's opposition "to outside interference in the internal affairs of the countries" of Southwest Asia.

Dec. 19—In Assam, more than 5,000 people demonstrating against the influx of Bengali immigrants are arrested.

Dec. 20—Opposition leaders taking part in a farmers' march are arrested by police in Maharashtra state for violating an early morning order banning processions or public meetings. Among those arrested are former Defense Minister and Home Minister Y.B. Chavan, former Chief Minister of Maharashtra Sharad Pawar and Janata party leader R.A. Patil.

Dec. 21—1,000 more protesters are arrested for violating the prohibition against public gatherings in Maharashtra; opposition leaders arrested yesterday are released.

Dec. 27—More than 10,000 demonstrating farmers ar-

rested yesterday for violating the ban on processions are released.

IRAN

(See also *Intl, Iran Crisis, Persian Gulf Crisis*)

Dec. 3—The government of Prime Minister Mohammed Ali Rajai asks Parliament for an additional \$342 million to pay the costs of the war with Iraq.

Dec. 27—In Teheran, Afghan demonstrators storm the Soviet embassy to protest the Soviet invasion of Afghanistan one year ago.

IRAQ

(See *Intl, Persian Gulf Crisis*)

ISRAEL

(See also *Intl, Middle East, U.N.; Turkey*)

Dec. 1—Minister of Religious Affairs Aharon Abuhazira is indicted on charges of receiving bribes from religious schools in exchange for government grants and loans.

Dec. 3—Israeli naval forces shell Palestinian camps in southern Lebanon; 6 people are reported killed.

Dec. 4—The Supreme Court rules that the government has the right to deport 2 Palestinian mayors from the West Bank but suggests that the government permit the mayors to remain for a trial period.

Dec. 5—Prime Minister Menachem Begin orders the deportation of the 2 Palestinian mayors, Fahad Kawasmeh of Hebron and Mohammed Milhem of Halhoul.

Dec. 18—Israel agrees to pay the U.S. \$6 million for damages inflicted when Israeli planes and ships attacked the U.S. intelligence ship *Liberty* during the 1967 6-day war.

The Labor party nominates Shimon Peres to be its candidate for Prime Minister in the 1981 elections.

Dec. 19—Israeli soldiers and Palestinian guerrillas clash in southern Lebanon.

In New York City, outside the U.N. Security Council chamber, the 2 mayors expelled from the West Bank begin a hunger strike; the Security Council votes 15 to 0 to ask Israel to allow the mayors to return home.

ITALY

Dec. 4—Members of the coalition government of Prime Minister Arnaldo Forlani criticize the government's handling of the rescue of earthquake victims.

Dec. 12—Ministry of Justice official Giovanni D'Urso is kidnapped by members of the Red Brigades.

Dec. 27—In response to the demands made by the abductors of D'Urso, the government closes a maximum security jail on Asinara Island, off Sardinia.

Dec. 31—In Rome, General Enrico Calvaligi, head of the Carabinieri—the paramilitary police—is assassinated by a group calling itself the Communist Fighting Unit.

JAPAN

(See *China; U.S., Foreign Policy*)

JORDAN

Dec. 3—A Jordanian official rejects the conditions outlined yesterday by Syrian representatives for Syria's withdrawal of troops from the Syrian-Jordanian border. Jordan claims it already recognizes the Palestine Liberation Organization (PLO) as the only legitimate representative of the Palestinian people and insists that it is not assisting the Muslim Brotherhood.

Dec. 10—An agreement is reached between Syrian and Jordanian leaders and a troop withdrawal from the border area begins.

Iraq gives Jordan 36 U.S.-made tanks that Iraqi forces captured from Iranian forces.

KOREA, SOUTH

Dec. 10—Justice Minister Oh Tak Keun announces that the government will release dissident poet Kim Chi Ha and 7 other anti-government activists.

LEBANON

(See also *Israel*)

Dec. 6—4 Shiite Muslims resign from Prime Minister Shafiq al-Wazan's Cabinet.

Dec. 17—In the U.N., the Security Council votes to maintain U.N. peacekeeping forces in southern Lebanon for 6 more months.

Dec. 20—Prime Minister Wazan's government wins a vote of confidence, 41 to 6.

Dec. 21—In reprisal for the deaths of Syrian soldiers, Syrian forces attack the Christian city of Zahle, about 30 miles east of Beirut.

Dec. 27—Fighting subsides at Zahle after artillery duels yesterday between Syrian troops and right-wing Christian (Phalangist) militiamen.

Dec. 31—Israeli jets down 2 Syrian MiG-21 jet fighters over southern Lebanon.

LIBYA

(See *Chad; Syria*)

MEXICO

Dec. 28—Director General of North American affairs in the Foreign Ministry Andrés Rozental says his government has decided to terminate its fishing agreements with the U.S.

NICARAGUA

Dec. 19—The Swiss Fund for Latin American Development, administered by the Inter-American Development Bank, lends the government \$2.6 million to finance 85 rural health clinics.

The Inter-American Development Bank lends the government \$65 million to aid private farmers and state-owned farms.

NORWAY

Dec. 22—In Moscow, Foreign Minister Knut Frydenlund confers with Soviet Foreign Minister Andrei Gromyko and Soviet Prime Minister Nikolai A. Tikhonov about Norway's plan to stockpile U.S. military matériel.

POLAND

Dec. 1—Communist party leader Stanislaw Kania tells the Central Committee that the Soviet Union has granted Poland the equivalent of \$1.3 billion in economic aid.

Dec. 2—In Luxembourg, at the conclusion of a Common Market meeting, the EEC nations warn the Soviet Union against any intervention in Poland.

The Central Committee of the Polish Communist party dismisses 4 members from the Politburo and appoints General Mieczyslaw Moczar to the Politburo.

Dec. 3—The Central Committee issues an unusual public statement warning that the country is on the "brink of economic and moral destruction."

Dec. 4—In East Berlin, U.S. sources report that Soviet troops normally stationed in East Germany are moving toward the Polish-East German border; Soviet troops are also reported moving from Berlin toward the Polish border.

Dec. 5—In Moscow, the 7 member nations of the Warsaw Pact hold a surprise meeting on the current situation in Poland.

Dec. 8—In Moscow, Tass, the Soviet press agency, accuses the independent trade unions of sheltering "counterrevolutionary groups" who are the enemies of the Communist party.

Dec. 9—U.S. Secretary of State Edmund S. Muskie flies to Brussels to meet with allies of the U.S. to determine a joint response to any Soviet moves in Poland.

Dec. 10—In Warsaw, Solidarity, the independent trade union, denounces the government's continuing repression of its members and demands the release of 4 men being held as political prisoners.

Dec. 12—In Warsaw, at the conclusion of a 2-day meeting of Roman Catholic church leaders, the church issues a statement condemning the acts of political dissidents that "could raise the danger of a threat to the freedom and statehood of the fatherland."

In Brussels, a communiqué issued at the end of a 4-day meeting of North Atlantic Treaty Organization members warns that "any intervention by the Soviets would fundamentally alter the entire international situation."

Dec. 14—In Warsaw, more than 1,000 protesting farmers representing 500,000 farmers ask for a law recognizing their independent trade union and demand a guarantee of the right to private ownership of land. The government has refused to register the independent farmers' union. 3.5 million private farmers account for 75 percent of Poland's agricultural production.

Dec. 19—Deputy Prime Minister Henryk Kisiel tells Parliament that the nation will have a budget deficit in 1981; meat and butter will be rationed for the first 3 months of 1981, and government spending will be reduced by \$3 billion.

Dec. 23—A spokesman for Solidarity rejects a government proposal to give workers alternate Saturdays off next year because it violates the agreement reached last summer to establish a 5-day work week.

Dec. 26—In Moscow, Foreign Minister Jozef Czyrek meets with Soviet President Leonid Brezhnev; according to Tass, both officials "expressed satisfaction" with the results of the December 5 Warsaw Pact leaders' meeting in Moscow.

Dec. 30—The Supremé Court postpones its decision in regard to recognizing a trade union for independent farmers.

PORTUGAL

Dec. 5—Prime Minister Francisco Sá Carneiro, Defense Minister Adelino Amaro da Costa, and 5 others are killed when their plane crashes near Lisbon airport. Foreign Minister Diogo Freitas do Amaral becomes acting Prime Minister.

Dec. 8—In yesterday's presidential elections, General Antonio Ramalho Eanes wins more than 55 percent of the votes; his chief opponent, General António Soares Carneiro, wins about 41 percent.

Dec. 22—President Eanes appoints Francisco Pinto Balsemão as Prime Minister; Balsemão was an associate of the late Francisco Sá Carneiro and a cofounder of the Social Democratic party.

SENEGAL

Dec. 31—President Léopold S. Senghor announces his resignation after serving as President for 20 years; he is succeeded by Prime Minister Abdou Diouf.

SOUTH AFRICA

Dec. 4—A referendum is held in Ciskei homeland on whether to accept independence from South Africa; opponents of independence boycott the referendum.

Dec. 17—According to referendum results, 98.7 percent of the voters favor independence.

SPAIN

Dec. 30—Basque separatist leader José Martin Sagardia is assassinated in southern France.

Dec. 31—The government of Prime Minister Adolfo Suárez restores taxation powers to home-rule governments in the Basque region.

SYRIA

(See also *Jordan; Lebanon; U.S.S.R.*)

Dec. 15—Following a negotiated troop withdrawal from the Jordanian border region, President Hafez al-Assad leaves for a 5-day visit to Libya for talks with Libyan leader Colonel Muammar el-Qaddafi.

TAIWAN

Dec. 7—Election returns from yesterday's parliamentary elections give the ruling Kuomintang 56 of the 70 seats contested for the Legislative Branch.

TURKEY

Dec. 2—In Washington, D.C., representatives of the U.S. and Turkey sign treaties that provide for the exchange of prisoners.

Foreign Ministry spokesman Oktay Iscen announces that Turkey has downgraded its diplomatic relations with Israel.

UGANDA

Dec. 10—Nationwide parliamentary elections are held for the first time in 18 years.

Dec. 13—Official election returns give former President Milton Obote's Uganda People's Congress party 66 of the 126 parliamentary seats; the opposition Democratic party, headed by Paul Ssemogerere, charges fraud and calls for a new election supervised by an independent commission.

Dec. 16—President Obote names Paulo Muwanga as Vice President and Defense Minister.

U.S.S.R.

(See also *India; Norway; Poland; U.S., Foreign Policy*)

Dec. 1—First Vice President of the Presidium Vasily V. Kuznetsov arrives in Damascus, Syria, to ratify a treaty of friendship and cooperation between Syria and the Soviet Union.

Dec. 2—Goals of the 1981-1985 five year plan are revealed; industrial output is scheduled to increase by 26 to 28 percent and production of staples like grain and meat is to increase slightly; production of natural gas is expected to increase to 640 billion cubic meters by 1985.

Dec. 10—In New Delhi, Soviet President Leonid I. Brezhnev addresses the Parliament; he calls on the U.S. to join the Soviets in a non-interference treaty in the Persian Gulf.

Dec. 20—After a 36-hour delay, Tass, the official press agency, announces the death of former Prime Minister Aleksei N. Kosygin after a "grave illness."

Dec. 23—Funeral services are held at Red Square for Kosygin; his ashes are placed in the Kremlin wall.

UNITED KINGDOM

Great Britain

Dec. 1—Coal miners accept a 13 percent wage increase, less than half what they had been demanding.

Northern Ireland

Dec. 8—In Dublin, British Prime Minister Margaret Thatcher and Irish Prime Minister Charles Haughey meet to discuss the prisoners' strike in Northern Ireland.

Dec. 15—23 more prisoners join the hunger strike at Maze Prison.

Dec. 18—The 7 prisoners who have been fasting at Maze Prison since October call off their hunger strike; Prime Minister Thatcher says she is delighted but that she made no concessions to the prisoners.

Dec. 19—The remaining fasting prisoners end their protest.

UNITED STATES

Administration

Dec. 1—The Federal Bureau of Investigation (FBI) says that its analysis of the acoustical evidence of a Dictabelt made at the time of the assassination of President John F. Kennedy in Dallas and purporting to be evidence of a second assassin shows that there was no second assassin.

Dec. 3—Reputed leader of the Weather Underground Bernadine Dohrn surrenders to authorities in Chicago after living in hiding for 10 years.

Dec. 4—The Justice Department issues a series of guidelines on the activities permitted informers and on general criminal investigations, the 1st time such guidelines have been made public.

Dec. 6—According to President Jimmy Carter's special Middle East envoy Sol M. Linowitz, Linowitz was authorized to assure Israeli Prime Minister Menachem Begin and Egyptian President Anwar Sadat that President-elect Ronald Reagan backs Middle East negotiations within the framework of the Camp David accords.

Dec. 11—The Justice Department, with the approval of U.S. district court Judge William B. Bryant, drops criminal charges against former acting director of the FBI, L. Patrick Gray 3d, for authorizing break-ins of the homes of Weather Underground radicals in 1972-1973.

President-elect Ronald Reagan announces 8 Cabinet appointments: Donald T. Regan, chairman of Merrill Lynch & Company, as Secretary of the Treasury; former Secretary of Health, Education and Welfare Caspar W. Weinberger as Secretary of Defense; lawyer William French Smith as Attorney General; chairman of Scovill Inc. Malcolm Baldrige as Secretary of Commerce; Senator Richard S. Schweiker (R., Pa.) as Secretary of Health and Human Services; deputy chairman of the Republican National Committee Andrew L. Lewis, Jr., as Secretary of Transportation. Reagan also names lawyer William J. Casey as director of the Central Intelligence Agency and Representative David Stockman (R., Mich.) as director of the Office of Management and Budget.

Dec. 15—Ex-FBI agents W. Mark Felt and Edward S. Miller are sentenced by Judge William Bryant to pay fines of \$5,000 and \$3,500 respectively for authorizing illegal break-ins.

Dec. 16—President-elect Ronald Reagan selects former NATO commander Alexander M. Haig, Jr., as Secretary of State and construction company executive Raymond J. Donovan as Secretary of Labor.

Dec. 17—Aides to President-elect Reagan announce the appointment of Edwin Meese 3d as counselor to the President with Cabinet rank, James A. Baker 3d as chief of staff and Michael K. Deaver as deputy chief of staff and assistant to the President.

Dec. 20—President-elect Reagan announces the appointment of Elizabeth H. Dole, wife of Senator Bob Dole (R., Kans.), as assistant to the President for public liaison.

Dec. 22—U.S. district court Judge John J. McNaught approves a compromise agreement between the State of Massachusetts and fishermen and conservation groups and the U.S. Departments of Interior and Commerce to permit the drilling for oil and gas on the Georges Bank.

President-elect Reagan announces the appointment of Colorado lawyer James G. Watt as Secretary of the Interior; Illinois director of agriculture John R. Block as Secretary of Agriculture; New York lawyer Samuel R. Pierce, Jr., as Secretary of Housing and Urban Development; former Governor of South Carolina James B. Edwards as Secretary of Energy and Georgetown University professor Jeane J. Kirkpatrick as U.S. Representative at the United Nations.

Dec. 24—Supreme Court Associate Justice Potter Stewart temporarily suspends a September 30 ruling by a Detroit U.S. district judge that would have prevented the Census Bureau from certifying the 1980 census figures by December 31; in New York, U.S. district court Judge Henry F. Werker yesterday ordered the certification to be stayed until the Census Bureau makes statistical adjustments for racial and ethnic minorities.

Releasing preliminary figures, the Census Bureau reports that the population of the 50 states, the District of Columbia and Puerto Rico totals some 228 million.

Dec. 27—President Jimmy Carter breaks his collarbone while cross-country skiing near Camp David.

Dec. 31—The Census Bureau officially certifies the population of the 50 states at 226,504,825, 11.4 percent higher than the 1970 census.

Civil Rights

Dec. 4—The U.S. Court of Appeals for the Fourth Circuit reverses the 1972 conviction of the "Wilmington 10" for the alleged firebombing of a white-owned grocery store in Wilmington, N.C.

Economy

Dec. 1—The Commerce Department reports that its index of leading economic indicators rose 0.9 percent in October.

Dec. 2—The Agriculture Department announces that food stamp benefits will increase 11.5 percent on January 1, 1981.

Dec. 4—The Federal Reserve Board raises its discount rate to 13 percent, with a 3 percent surcharge to frequent large borrowers of its money.

Dec. 5—The Labor Department reports that its producer price index rose 0.6 percent in November.

Dec. 19—Most large banks raise their prime lending rate to a record 21.5 percent.

Dec. 22—Chase Manhattan Bank and several smaller banks reduce their prime rate to 20.5 percent; Wells Fargo Bank reduced its prime rate to 20.5 percent yesterday.

Dec. 23—The Labor Department reports that its consumer price index rose 1.0 percent in November.

The Commerce Department issues revised figures for

the gross national product (GNP) for the 3d quarter, showing an annual growth rate of 2.4 percent for the period July through September.

Dec. 31—The Commerce Department reports its index of leading economic indicators rose 1.2 percent in November.

Foreign Policy

(See also *Intl, Iran Crisis, NATO; El Salvador; Israel*)

Dec. 2—White House spokesman Jody Powell reads a statement from President Jimmy Carter saying that Soviet "Intervention, or invasion of Poland would be most serious and adverse for East-West relationships . . . and particularly relations between the United States and the Soviet Union."

Dec. 5—According to messages received by the State Department from U.S. Ambassador to the Soviet Union Thomas J. Watson, Jr., Senator Charles H. Percy (R., Ill.) told Soviet leaders in Moscow during the last week in November that he favors the creation of a Palestinian state headed by Palestine Liberation Organization (PLO) chief Yasir Arafat; Percy is expected to become chairman of the Senate Foreign Relations Committee in the 97th Congress.

Dec. 12—In Tokyo for 2 days of talks, Secretary of Defense Harold Brown urges Japan to increase military spending in the 1980's.

Dec. 24—Secretary of State Edmund S. Muskie says that sanctions "affecting the economy and programs of the Soviet Union will continue as long as Soviet forces remain in Afghanistan."

Labor and Industry

Dec. 23—The Chrysler Corporation asks for federal guarantees for up to \$400 million in new loans; both the United Auto Workers union (UAW) and Chrysler deny that the union's Chrysler council has refused the Chrysler request for a wage freeze.

Dec. 31—An agreement is reached between the Department of Transportation and the Ford Motor Company in which Ford will have to issue instruction stickers to the owners of 16 million Ford cars and trucks with possible transmission problems; initially, the Department of Transportation was insisting that Ford recall all the automobiles involved.

Legislation

Dec. 2—Senator Howard Baker (R., Tenn.) is elected majority leader of the Senate for the incoming 97th Congress by unanimous vote.

President Jimmy Carter signs the Alaska lands bill that sets aside more than 104 million acres for parks, animal refuges and wilderness.

Dec. 3—President Carter signs legislation to establish a food grain reserve that would permit the U.S. government to purchase food supplies when production is plentiful.

The House completes congressional action on legislation to create a \$1.6-billion fund for toxic waste and chemical spills cleanup.

The Senate completes congressional action on a \$2.88-billion foreign aid bill for fiscal 1981.

Dec. 10—Representative John W. Jenrette, Jr. (D., S.C.), resigns before he can be expelled by the House Ethics Committee as a result of his Abscam conviction.

Dec. 12—The Senate completes congressional action and sends the President a 3-year extension of the revenue-

sharing program designed to distribute money to cities and states.

Dec. 13—President Jimmy Carter vetoes a \$9.1-billion appropriation bill for the Departments of State, Justice and Commerce containing an anti-busing rider.

Dec. 16—President Jimmy Carter signs the \$2.88-billion foreign aid bill, although he declares that 2 provisions giving Congress veto power over some economic and military aid are unconstitutional.

Congress passes a stop-gap appropriation bill including funds for the Departments of State, Justice and Commerce to expire June 28, 1981, to permit the government to continue to meet its payrolls.

The 96th Congress adjourns.

Dec. 24—President Carter signs some 22 bills, including a measure that convenes the 97th Congress at noon on January 5, 1981.

Political Scandal

Dec. 3—A U.S. district court jury finds Representative Frank Thompson, Jr. (D., N.J.), guilty of bribery and conspiracy and Representative John M. Murphy (D., N.Y.) guilty of conspiracy charges resulting from the FBI Abscam investigations.

Dec. 15—The Justice Department files an appeal on the ruling of U.S. district court Judge John Fullam that overturned the convictions of 2 Philadelphia politicians, George Schwartz and Harry Jannotti, on charges resulting from an Abscam investigation.

Supreme Court

Dec. 1—The Supreme Court agrees to hear a government appeal of a lower court ruling that according to the constitution military obligation falls on women as well as men; it agrees to rule on the constitutionality of the Selective Service Act.

Dec. 2—In an 8-0 decision, the Court reverses a lower court ruling and holds that the Environmental Protection Agency is entitled to enforce its water pollution rules even though an individual factory cannot afford to comply with the regulations.

Dec. 9—The Court rules 5 to 4 that prosecution can appeal a too lenient sentence under certain narrowly defined circumstances, without conflicting with the constitutional protection against double jeopardy; the ruling reverses a lower court decision.

URUGUAY

Dec. 1—In yesterday's plebiscite, voters overwhelmingly reject continued military rule.

Dec. 4—Lieutenant General Luis V. Queirolo, leader of the military junta, says that restoration of democratic institutions will proceed slowly.

VIETNAM

Dec. 19—The National Assembly adopts a new constitution that gives the nation a collective presidency consisting of a Council of State headed by a chairman.

ZIMBABWE

Dec. 8—Minister of Manpower, Planning and Development Edgar Z. Tekere is found guilty of murdering a white farmer last summer; the High Court frees him under a law enacted by the white minority government of Ian D. Smith that protects Cabinet officials from criminal charges if they act "in good faith" to suppress terrorism. ■



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